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August 2, 2005

VIA OVERNIGHT MAIL

The Honorable Pat Miller, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Attn: Sharla Dillon, Dockets and Records

Dear Chairman Miller:

05-00219

On behalf of RTC Solutions, Inc., the original and thirteen (13) copies of the Application for Certificate to Provide Facilities-Based and Resold Competing Local Telecommunications Services is sent to you in accordance with the requirements of the Tennessee Regulatory Authority.

Also enclosed is the required \$25.00 filing fee. Copies of this Application have been served to the Tennessee Incumbent Local Exchange Service Providers as indicated by the Certificate of Service.

If you should have any questions regarding this Application, please contact the undersigned

Sincerely,

John Becci
Manager - Regulatory Affairs

on behalf of

Alice Evitt Bandy
Chief Executive Officer
RTC Solutions, Inc

Enclosures

cc: Michael Wallin, RTC Solutions, Inc

PAID T.R.A.	
Chk #	<u>73474</u>
Amount	<u>25.00</u>
Rcvd By	<u>JB</u>
Date	<u>8-3-05</u>

**Before the
TENNESSEE REGULATORY AUTHORITY**

IN THE MATTER OF THE APPLICATION OF

RTC SOLUTIONS, INC.

**FOR A CERTIFICATE TO PROVIDE FACILITIES-BASED AND RESOLD
COMPETING LOCAL TELECOMMUNICATIONS SERVICES**

**APPLICATION FOR CERTIFICATE TO PROVIDE
FACILITIES-BASED AND RESOLD
COMPETING LOCAL TELECOMMUNICATIONS SERVICES**

Pursuant to applicable Tennessee Statutes and the Rules and Regulations of the Tennessee Regulatory Authority and Section 253 of the Federal Telecommunications Act of 1996 ("Act"), RTC Solutions, Inc. ("RTC") respectfully requests that the Tennessee Regulatory Authority ("TRA") grant to RTC authority to provide facilities-based and resold competing local telecommunications services, including exchange access telecommunications services, within the State of Tennessee. RTC is willing and able to comply with all applicable Federal Communications Commission rules and regulations. In addition, RTC is willing and able to comply with all applicable rules and regulations in Tennessee pertaining to the provision of competing local telecommunications services. TCA 65-4-201

In support of its Application, RTC submits the following:

1. The full name and address of the Applicant is:

RTC Solutions, Inc.
P.O. Box 869
6203 Alabama Highway
Ringgold, GA 30736-0869
Telephone: (706) 965-2345

Questions regarding this application should be directed to:

John Becci
Manager – Regulatory Affairs
John Staurulakis, Inc.
7852 Walker Drive
Greenbelt, Maryland 20770
Telephone: (301) 459-7590
Facsimile: (301) 577-5575

Contact name and address at the Company is:

Michael Wallin
Regulatory Manager
RTC Solutions, Inc.
P.O. Box 869
6203 Alabama Highway
Ringgold, GA 30736-0869
Telephone: (706) 965-1721
Facsimile: (706) 965-1720

2. Organizational Chart of Corporate Structure:

See **Exhibit A**

3. Corporate Information:

RTC Solutions, Inc. was incorporated in the State of Georgia on February 24, 2005. A copy of RTC's Articles of Incorporation and amendments are provided in **Exhibit B**. A copy of RTC's Authority to transact business in the State of Tennessee is provided in **Exhibit C**. The names and addresses of the principal corporate officers are in **Exhibit D**.

RTC Solutions, Inc. will not maintain an office in Tennessee. The name of RTC's registered agent in Tennessee is:

Stephen Jacoway
537 Market Street, Suite 202
Chattanooga, TN 37402

The biographies of the principal officers and any other key technical staff are in **Exhibit E**.

4. RTC possesses the managerial, technical, and financial ability to provide local telecommunications service in the State of Tennessee as demonstrated below:

A. Financial Qualifications

In support of its financial qualifications, RTC Solutions, Inc. submits the independent auditor's report for its parent company, Ringgold Telephone Company (Ringgold) in **Exhibit F**. Financial statements for RTC Solutions, Inc. are not available as RTC is a newly formed entity. Ringgold Telephone Company is an incumbent local exchange provider in Georgia. Ringgold serves approximately 14,300 customers in Catoosa County, Georgia. Ringgold's principal line of business is local communications. Other lines of business include long distance, wireless, internet, digital and video services.

RTC Solutions, Inc. has financing vehicles in place to ensure adequate liquidity in meeting its anticipated funding needs. RTC is an operational business entity that has been operating since April 2005. In the event and to the extent they may occur, recurring operating losses, working capital deficiencies and negative cash flows from operating activities will be covered by the current operations of RTC Solutions, Inc., or the company may choose to draw a loan from financial institutions that it or its affiliated companies currently do business with.

As RTC initially will provide service on a resold and unbundled network element platform, RTC requires no additional capitalization or financing nor does it expect to incur significant expenses to provide intrastate service. RTC may purchase or construct facilities at a later date, but has no plans to do so in the immediate future.

Exhibit G RTC initially will provide service on a resold and unbundled network element platform. At this time, RTC does not require construction of facilities of its own in Tennessee. Since no capital expenditures are needed at this time, or in the foreseeable future, a capital expenditures budget is not provided.

RTC's financial statements do not include amounts relating to reciprocal compensation for terminating Internet Service Provider traffic.

B. Managerial Ability:

As shown in **Exhibit E** to this Application, RTC has the managerial expertise to successfully operate a telecommunications enterprise in Tennessee. As described in the attached biographical information, RTC's management team has extensive management and business experience in telecommunications.

C. Technical Qualifications:

RTC services will satisfy the minimum standards established by the TRA. The Company will file and maintain tariffs in the manner prescribed by the TRA and will meet minimum basic local standards, including quality of service and billing standards required of all LECs regulated by the TRA. As noted in the biographies (**Exhibit E**), there are three (3) officers with engineering backgrounds and numerous years of telecommunications expertise. In addition, RTC has numerous employees with engineering backgrounds. Thus, RTC is certainly technically qualified to provide local exchange service in Tennessee.

5. Irrevocable Letter of Credit is provided as **Exhibit H**.

6. Proposed Service Area:

RTC Solutions, Inc has a Certificate of Authority to provide resold and facilities-based competitive local exchange services in the State of Georgia.

Ringgold Telephone Long Distance, an affiliated company, has a Resale Certificate of Authority in the states of Georgia and Tennessee.

The applicant proposes to offer local exchange service in the areas currently served by BellSouth Telecommunications, Inc. These areas served by BellSouth are designated open to competition. RTC intends to offer local exchange telecommunications services initially through the use of resold facilities and through an Unbundled Network Element platform.

7. Types of Local Exchange Service to be provided:

RTC Solutions, Inc. expects to offer local exchange services, including, but not limited to, basic local service and custom calling features, to business and residential customers in Tennessee. Initially RTC plans to offer basic access line service, PBX, and DID Services, Optional Calling Features, Directory Assistance, Directory Services and Operator Services, as well as all services required under Chapter 1220-4-8-.04 (3) (6) and (2).

RTC is in the process of opting into a BellSouth Interconnection Agreement.

8. Repair and Maintenance:

RTC initially proposes to provide local exchange service via resale and Unbundled Network Element Platform (UNE-P). RTC will rely on the technical expertise of its underlying carrier and BellSouth Telecommunications, Inc. from which RTC will be obtaining UNE-P. RTC's underlying carriers will be responsible for repair and maintenance of the telecommunications network. RTC will be responsible for servicing its own facilities once they are constructed.

9. Small and Minority-Owned Telecommunications Business Participation Plan: (65-5-212): **Exhibit I**
10. Toll Dialing Parity Plan: **Exhibit J**
11. Applicant has served notice of this application to the eighteen (18) incumbent local exchange telephone companies in Tennessee with a statement regarding the company's intention of operating geographically. See **Exhibit K** for the list.
12. Numbering Issues: Statement provided in **Exhibit L**
13. Tennessee Specific Operational Issues: Statements provided in **Exhibit M**
14. Miscellaneous:
 - A. Sworn Pre-filed testimony: **Exhibit N**
 - B. Applicant does not require customer deposits
 - C. As of now, RTC has not been subject to complaints in any of the states in which we are doing business.
 - D. A copy of our tariff is enclosed **Exhibit O**
15. Grant of the Application will further the goals of the Tennessee Legislature and further the public interest by expanding the availability of competitive telecommunications services in the State of Tennessee. In addition, intrastate offering of these services is in the public interest because the services will provide Tennessee customers increased efficiencies and cost savings. Authorizing RTC to provide local exchange telecommunications services will enhance materially the telecommunications infrastructure in the State of Tennessee and will facilitate economic development.

In particular, the public will benefit both directly, through the use of the competitive services to be offered by RTC and indirectly, because RTC's presence in Tennessee will increase the incentives for other telecommunications providers to operate more efficiently, offer more innovative services, reduce their prices, and improve their quality of service. Grant of this Application will further enhance the service options available to Tennessee citizens for the reasons set forth above.

CONCLUSION:

RTC Solutions, Inc. respectfully requests that the TRA enter an order granting it a certificate of convenience and necessity to operate as a competing telecommunications service provider and authority to provide a full range of local exchange on a facilities-based and resale basis in the State of Tennessee in the service areas of BellSouth. For the reasons stated above, RTC's provision of these services would promote the public interest by providing high-quality service at competitive prices and by creating greater economic incentives for the development and improvement for all competing providers.

Respectfully submitted this 28th of July, 2005.



Alice Evitt Bandy
Chief Executive Officer
RTC Solutions, Inc.

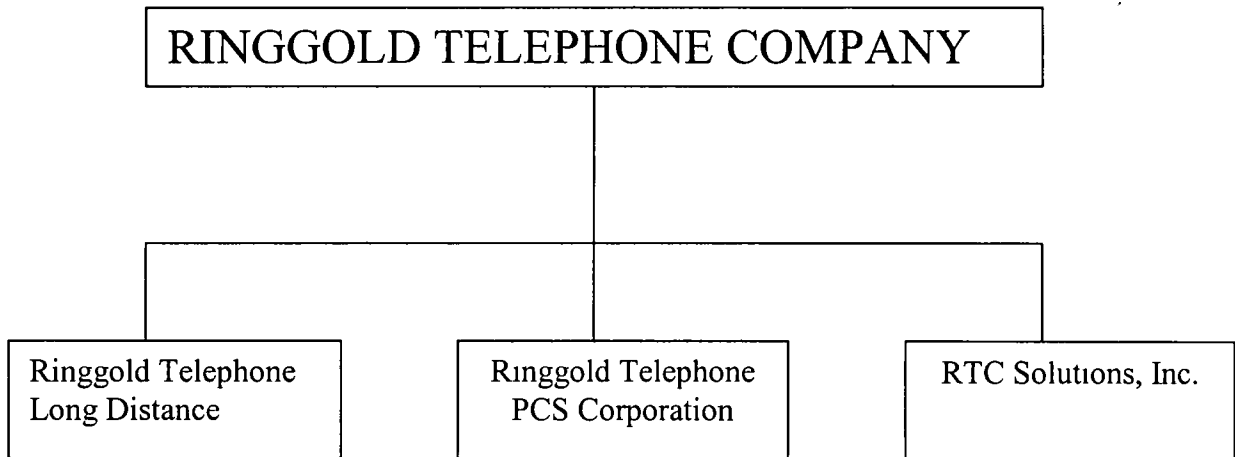
EXHIBIT A

Organizational Chart of Corporate Structure

EXHIBIT A

RTC SOLUTIONS, INC.

TENNESSEE REGULATORY AUTHORITY
APPLICATION FOR CERTIFICATE TO PROVIDE
COMPETING LOCAL TELECOMMUNICATIONS SERVICES



No pertinent acquisitions or mergers are currently in progress and the company currently has no plans for any acquisitions or mergers.

EXHIBIT B
Articles of Incorporation

ARTICLES OF INCORPORATION
OF
RTC SOLUTIONS, INC.

I.

The name of the corporation is "RTC SOLUTIONS, INC."

II.

The number of shares the corporation is authorized to issue is 1,000,000

III.

The street address of the initial registered office of the corporation is 6204 Alabama Highway, Ringgold, Georgia 30736, and the initial registered agent of the corporation at such address is Alice Evitt Bandy

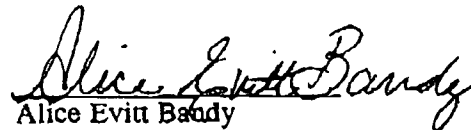
IV.

The name of the incorporator is Alice Evitt Bandy at 6204 Alabama Highway, Ringgold, Georgia 30736.

V.

The mailing address of the initial principal office of the corporation is P O. Box 869, Ringgold, Georgia 30735.

IN WITNESS WHEREOF, the undersigned executed the Articles of Incorporation this 24th day of February, 2005


Alice Evitt Bandy

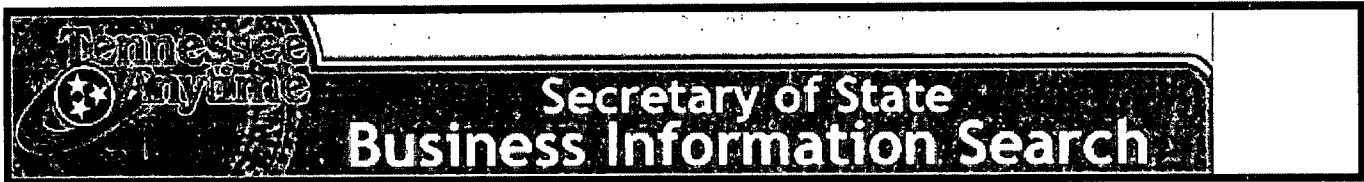
CORPORATIONS DIVISION

2005 MAR - 1 - 9:30

SECRETARY OF STATE

EXHIBIT C

Authority to Transact Business in the State of Tennessee

[Secretary of State Web Site](#)[Instructions](#)

Name	I.D. Number
RTC SOLUTIONS, INC	0490901

Business Type*:	CORPORATION
Profit/Nonprofit:	FOR PROFIT
Status*:	ACTIVE
Date of Formation/Qualification:	04/04/2005
Domestic/Foreign:	FOREIGN
Place of Incorporation/Organization:	GA
Duration:	PERPETUAL
FYC(Fiscal Year Closing) Month:	DECEMBER

Principal Office:

Address Line 1:	6203 ALABAMA HIGHWAY
Address Line 2:	
City:	RINGGOLD
State:	GA
Zip:	30736
Other than USA:	

Registered Agent:

Name:	STEVEN M JACOWAY, ESQ
Address Line 1:	537 MARKET STREET
Address Line 2:	SUITE 202
City:	CHATTANOOGA
State:	TN
Zip:	37402

Business Filing History

* Important Note: Business filing History includes information about (1) the basis for an inactive status and (2) the current true name and filing status of a business with an assumed name or a changed status

Note This information is current as of three working days prior to today's date

[Search Again](#)

EXHIBIT D

Principal Corporate Officers

EXHIBIT D

RTC SOLUTIONS, INC.

TENNESSEE REGULATORY AUTHORITY
APPLICATION FOR CERTIFICATE TO PROVIDE
COMPETING LOCAL TELECOMMUNICATIONS SERVICES

Principal Corporate Officers

<u>NAME</u>	<u>TITLE</u>	<u>ADDRESS</u>
Alice Evitt Bandy	Chief Executive Officer	6203 Alabama Highway Ringgold, GA 30736-0869
Celeste Bandy	Vice President	6203 Alabama Highway Ringgold, GA 30736-0869
To Be Determined	Chief Financial Officer	6203 Alabama Highway Ringgold, GA 30736-0869
Madelyn Bandy	Secretary	6203 Alabama Highway Ringgold, GA 30736-0869

EXHIBIT E

Staff Qualifications

RTC SOLUTIONS, INC.

**TENNESSEE REGULATORY AUTHORITY
APPLICATION FOR CERTIFICATE TO PROVIDE
COMPETING LOCAL TELECOMMUNICATIONS SERVICES**

RTC Solutions, Inc. Staff Qualifications

NOTE: As part of the Ringgold Telephone Company family of companies, proper allocation of resources for RTC Solutions, Inc. operations will be maintained through separate accounting books, time sheet coding, associated allocations, and use of the company's Cost Allocation Manual.

Alice Evitt Bandy

Chief Executive Officer, RTC Solutions, Inc.
President and CEO, Ringgold Telephone Company.

Alice Evitt Bandy is Chief Executive Officer of RTC Solutions, Inc. Mrs. Bandy has 28 years experience in the telecommunications industry serving in management positions with Ringgold Telephone Company. Mrs. Bandy is a graduate of the University of Tennessee with a degree in merchandising.

Philip A. Erli

Executive Vice President, Ringgold Telephone Company

Philip Erli is Executive Vice President of Ringgold Telephone Company. Mr. Erli has a wide variety of experience in the telecommunications industry spanning 31 years, including management, communications consulting, marketing, business planning, sales and regulatory positions. Mr. Erli is a graduate of Indiana State University with a BS degree in finance, and earned an MSBA from Indiana University.

Lynn Williams Howell

Vice President of Customer & Employee Relations, Ringgold Telephone Company

Ms. Howell is Vice President of Customer & Employee Relations of Ringgold Telephone Company. Ms. Howell has 24 years experience in the telecommunications industry and has been with Ringgold Telephone Company since 1980. Ms. Howell is currently responsible for Human Resources, Customer Service, Customer Support, Marketing, Public Relations and Video. Ms. Howell holds several industry related certificates in various areas such as, Customer Service and Human Resources and currently attends Business Management classes at Northwestern Technical Institute, in Rock Spring, GA.

Continued. .

Stephen J. Scharf

Vice President of Financial & Information Technologies, Ringgold Telephone Company

Stephen Scharf is Vice President of Financial & Information Technologies of Ringgold Telephone Company. Mr. Scharf has 14 years experience in the telecommunications industry, and currently is responsible for management of ISP, Information Services, and Finance and Accounting Department. Mr. Scharf holds a BS degree from Winthrop University in Rock Hill, South Carolina, and completed two years of electrical engineering training at the Rochester Institute of Technology, Rochester, New York.

Tommy Holcombe

Vice President of Operations, Ringgold Telephone Company

Tommy Holcombe is Vice President of Operations of Ringgold Telephone Company. Mr. Holcombe has 29 years experience in the telecommunications industry, and has been with Ringgold since 1978. His background includes equipment repair, engineering, construction, marketing and customer service management. Mr. Holcombe is active in the business industry in Georgia. He is president of the Ringgold Rotary Club, a past Chairman, of the Catoosa County Chamber of Commerce, and is a past president of the Northwest Georgia Utility Coordination Committee.

Michael Allen Wallin

Manager of Regulatory Affairs, Ringgold Telephone Company

Michael Wallin is Manager of Regulatory Affairs of Ringgold Telephone Company. Mr. Wallin has experience in PBX and Key system installation and repair, engineering, construction and project management. Mr. Wallin holds several industry related certificates in various areas. Mr. Wallin has been with Ringgold Telephone Company since 1999 and has 25 years of experience in the telecommunications industry.

EXHIBIT F
Financial Statements

THE RINGGOLD TELEPHONE COMPANY
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2004 AND 2003

AND
INDEPENDENT AUDITOR'S REPORT

THE RINGGOLD TELEPHONE COMPANY
AND SUBSIDIARIES

RINGGOLD, GEORGIA

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**INDEPENDENT
AUDITOR'S REPORT**

HAYNES & MOORE, LLC

CERTIFIED PUBLIC ACCOUNTANTS

JAMES A. THRELKELD, CPA
R. MARK HARRISON, CPA
DAVID R. ESTES, CPA

P.O. BOX 711
701 BROAD STREET, SUITE 350
ROME, GEORGIA 30162-0711
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GEORGIA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS
CPA AMERICA
MEMBER FIRMS THROUGHOUT
THE UNITED STATES

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Ringgold Telephone Company
Ringgold, Georgia 30736

Gentlemen:

We have audited the accompanying consolidated balance sheets of THE RINGGOLD TELEPHONE COMPANY, a Georgia Corporation, and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of retained earnings, operations, comprehensive income and cash flows for the years then ended. These consolidated financial statements are the responsibility of The Ringgold Telephone Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Ringgold Telephone Company and subsidiaries as of December 31, 2004 and 2003, and the consolidated results of their operations and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Haynes + Moore, LLC

February 3, 2005

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF
RETAINED EARNINGS

CONSOLIDATED STATEMENTS OF OPERATIONS

CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF
CASH FLOWS

NOTES TO CONSOLIDATED FINANCIAL
STATEMENTS

THE RINGGOLD TELEPHONE COMPANY
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2004 AND 2003

A S S E T S

	<u>2004</u>	<u>2003</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 2,986,312	\$ 2,181,932
Telecommunications Accounts Receivable	1,701,907	1,991,256
Other Accounts Receivable	499,230	158,642
Materials and Supplies	457,026	475,353
Prepaid Expense	<u>224,337</u>	<u>240,348</u>
TOTAL CURRENT ASSETS	<u>\$ 5,868,812</u>	<u>\$ 5,047,531</u>
NON-CURRENT ASSETS:		
Investments	\$ 101	\$ 333,980
Investments in USCarrier Telecom, LLC	353,827	248,878
Rural Telephone Bank Stock	285,500	285,500
CoBank Participation Certificate	281,847	164,464
Cash Surrender Value Life Insurance	347,508	314,992
Prepaid Expense	262,961	256,188
Other Assets	<u>1,201,583</u>	<u>1,089,739</u>
TOTAL NON-CURRENT ASSETS	<u>\$ 2,733,327</u>	<u>\$ 2,693,741</u>
PROPERTY, PLANT AND EQUIPMENT:		
Plant in Service	\$ 58,470,407	\$ 54,678,344
Plant Under Construction	188,699	700,369
Non-Operating Plant	<u>6,442</u>	<u>6,442</u>
Subtotal Plant	\$ 58,665,548	\$ 55,385,155
Less: Accumulated Depreciation	<u>30,987,229</u>	<u>27,619,285</u>
NET PROPERTY, PLANT AND EQUIPMENT	<u>\$ 27,678,319</u>	<u>\$ 27,765,870</u>
TOTAL	<u><u>\$ 36,280,458</u></u>	<u><u>\$ 35,507,142</u></u>

The accompanying notes are an integral part of these statements.

THE RINGGOLD TELEPHONE COMPANY
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2004 AND 2003

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2004</u>	<u>2003</u>
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,053,461	\$ 865,329
Current Obligations Under Capital Lease	316,820	235,656
Current Maturities of Long-Term Debt	1,398,985	1,140,443
Customer Deposits	630	383
Other Accrued Liabilities	249,397	116,448
Compensated Absences	60,997	70,297
Deferred Compensation	-	60,000
	<u>3,080,290</u>	<u>2,488,556</u>
TOTAL CURRENT LIABILITIES	\$ 3,080,290	\$ 2,488,556
LONG-TERM OBLIGATIONS UNDER CAPITAL LEASE	<u>\$ 1,177,104</u>	<u>\$ 1,300,064</u>
LONG-TERM DEBT	<u>\$ 16,948,280</u>	<u>\$ 17,929,144</u>
OTHER LIABILITIES:		
Accumulated Postretirement Benefits	\$ 2,396,631	\$ 2,202,004
Deferred Revenue	10,103	9,848
Deferred Compensation	412,961	356,214
	<u>2,819,695</u>	<u>2,568,066</u>
TOTAL OTHER LIABILITIES	\$ 2,819,695	\$ 2,568,066
STOCKHOLDERS' EQUITY:		
Common Stock	\$ 72,000	\$ 72,000
Paid-In Capital	548,509	548,509
Retained Earnings	11,634,580	11,184,174
Accumulated Other Comprehensive Loss	-	(583,371)
	<u>12,255,089</u>	<u>11,221,312</u>
TOTAL STOCKHOLDERS' EQUITY	\$ 12,255,089	\$ 11,221,312
TOTAL	<u>\$ 36,280,458</u>	<u>\$ 35,507,142</u>

The accompanying notes are an integral part of these statements.

THE RINGGOLD TELEPHONE COMPANY
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
RETAINED EARNINGS-BEGINNING	\$ 11,184,174	\$ 10,718,867
Net Income	<u>460,406</u>	<u>465,307</u>
	\$ 11,644,580	\$ 11,184,174
Dividends Paid	<u>(10,000)</u>	<u>-</u>
RETAINED EARNINGS-ENDING	<u>\$ 11,634,580</u>	<u>\$ 11,184,174</u>

The accompanying notes are an integral part of these statements.

THE RINGGOLD TELEPHONE COMPANY
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
OPERATING REVENUES:		
Local Network Service	\$ 5,500,218	\$ 4,763,110
Network Access Service	10,756,002	10,729,798
Internet Revenue	1,351,074	1,337,255
Other Revenue	1,582,205	1,075,673
Miscellaneous Revenue	616,919	506,715
Sales	153,947	167,674
	<u>\$ 19,960,365</u>	<u>\$ 18,580,225</u>
Uncollectible Revenue	71,292	(5,683)
TOTAL OPERATING REVENUES	<u>\$ 19,889,073</u>	<u>\$ 18,585,908</u>
OPERATING EXPENSE:		
Plant Specific Operations	\$ 5,589,043	\$ 4,562,024
Plant Non-Specific Operations	1,497,205	1,308,773
Depreciation and Amortization	3,965,352	4,415,302
Customer Operations Expense	2,211,388	1,945,575
Corporate Operations	3,339,970	3,255,607
Internet Expense	589,160	658,987
Other Expense	1,379,340	853,291
TOTAL OPERATING EXPENSE	<u>\$ 18,571,458</u>	<u>\$ 16,999,559</u>
NET OPERATING REVENUES	\$ 1,317,615	\$ 1,586,349
OPERATING TAXES		
Other Taxes	<u>332,236</u>	<u>243,085</u>
NET OPERATING INCOME	\$ 985,379	\$ 1,343,264
OTHER INCOME AND (EXPENSE)	<u>761,586</u>	<u>493,451</u>
INCOME BEFORE MISCELLANEOUS DEDUCTIONS	\$ 1,746,965	\$ 1,836,715
MISCELLANEOUS DEDUCTIONS:		
Interest Expense	<u>1,286,559</u>	<u>1,371,408</u>
NET INCOME	<u>\$ 460,406</u>	<u>\$ 465,307</u>

The accompanying notes are an integral part of these statements.

THE RINGGOLD TELEPHONE COMPANY
AND SUBIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Net Income	\$ <u>460,406</u>	\$ <u>465,307</u>
Other Comprehensive Income (Loss), Net of Tax:		
Unrealized Gains on Securities		
Gains (Losses) Arising During the Year	\$ 113,308	\$ 202,067
Reclassification Adjustment	<u>(267,406)</u>	<u>(14,320)</u>
Other Comprehensive Income (Loss)	\$ <u>(154,098)</u>	\$ <u>187,747</u>
Comprehensive Income	<u>\$ 306,308</u>	<u>\$ 653,054</u>

The accompanying notes are an integral part of these statements

THE RINGGOLD TELEPHONE COMPANY
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 19,381,916	\$ 17,818,661
Cash Paid to Suppliers and Employees	(14,174,402)	(12,878,858)
Dividends and Interest Received	351,163	241,229
Interest Paid	<u>(1,293,280)</u>	<u>(1,373,740)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 4,265,397</u>	<u>\$ 3,807,292</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	\$ 1,184,656	\$ 488,894
Proceeds from Sale of Buildings	575,000	335,000
Proceeds from Salvage of Equipment	7,500	18,554
Cost to Remove Investments	(27,491)	(24,062)
Materials and Supplies	(53,000)	28,258
Loans from Shareholder-Net	23,210	161,793
Payment for Purchase of Equipment	257,094	97,651
	<u>(4,201,424)</u>	<u>(3,006,270)</u>
NET CASH FROM INVESTING ACTIVITIES	<u>\$ (2,234,455)</u>	<u>\$ (1,900,182)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Customer Deposits	\$ 249	\$ (439)
Proceeds from Long-Term Borrowings	-	174,969
Dividends Paid	(10,000)	-
Payments on Long-Term Capital Lease	(237,395)	(219,244)
Payments on Long-Term Borrowings	<u>(979,416)</u>	<u>(940,498)</u>
NET CASH FROM FINANCING ACTIVITIES	<u>\$ (1,226,562)</u>	<u>\$ (985,212)</u>
NET INCREASE (DECREASE) IN CASH	\$ 804,380	\$ 921,898
CASH AT BEGINNING OF YEAR	<u>2,181,932</u>	<u>1,260,034</u>
CASH AT END OF YEAR	<u><u>\$ 2,986,312</u></u>	<u><u>\$ 2,181,932</u></u>

The accompanying notes are an integral part of these statements.

THE RINGGOLD TELEPHONE COMPANY
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2004 AND 2003
Increase (Decrease) in Cash

	<u>2004</u>	<u>2003</u>
RECONCILIATION OF NET INCOME TO NET CASH FROM OPERATING ACTIVITIES:		
Net Income	<u>\$ 460,406</u>	<u>\$ 465,307</u>
Adjustments to Reconcile Net Income to Net Cash From Operating Activities:		
Depreciation and Amortization	\$ 3,965,352	\$ 4,415,302
Gain on Sale of Investments	(267,406)	(14,320)
Gain on Sale of Buildings	(202,287)	(203,453)
Building Donations	208,100	102,500
Change in Assets and Liabilities:		
Telecommunications Accounts Receivable	289,349	(723,675)
Other Accounts Receivable	(463,293)	(29,830)
Materials and Supplies	(4,883)	-
Prepaid Expenses	(43,989)	(71,661)
Investments	(249,899)	(213,092)
Other Assets	67,356	124,111
Accounts Payable	188,106	(184,836)
Postretirement Benefits	194,627	75,363
Deferred Revenue	255	9,848
Other Liabilities	123,603	55,728
Total Adjustments	<u>\$ 3,804,991</u>	<u>\$ 3,341,985</u>
Net Cash From Operating Activities	<u>\$ 4,265,397</u>	<u>\$ 3,807,292</u>

SUPPLEMENTARY SCHEDULE OF NONCASH
INVESTING AND FINANCING ACTIVITIES:

Plant Retired and Charged to Accumulated Depreciation	<u>\$ 1,003,321</u>	<u>\$ 571,052</u>
Non-Cash Salvage of Equipment	<u>\$ 11,904</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

THE RINGGOLD TELEPHONE COMPANY
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

The following is a summary of certain significant accounting policies followed in the preparation of these financial statements. The policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Consolidation - The accompanying consolidated financial statements include the accounts of The Ringgold Telephone Company and its wholly owned subsidiaries, Ringgold Telephone Long Distance Inc., Ringgold Telephone PCS Corporation, Community Messenger Inc., RTC Communications Systems, Inc. and Listit. Intercompany transactions and balances have been eliminated in consolidation.

Business - The Ringgold Telephone Company is an alternative regulated public telephone utility. Its primary business is to provide telecommunications service to the local residents and businesses in Catoosa County, Georgia. The Company also offers video services to its customers.

Ringgold Telephone Long Distance's primary business is to provide long distance telephone service for the local area.

Ringgold Telephone PCS's primary business is to hold the investment in a non-affiliated company providing personal communication services (PCS). <See Note 5>

Community Messenger's primary business is to provide FM paging, data transfer, wireless e-mail notification, wireless security and fire alarm monitoring, and other premium wireless information services for the local area.

RTC Communications Systems' primary business is product bar coding and labeling.

Listit's primary business is the sale of items for customers through the Internet.

Books and Records - The Ringgold Telephone Company's accounting system and procedures are maintained in a manner as prescribed by the Federal Communications Commission and the Georgia Public Service Commission.

Telecommunications Receivables - Customers are generally extended credit on a short-term basis; thus, telecommunication receivables do not bear interest. Receivables over sixty days past due are reviewed for collectibility. Receivables are written off monthly. Collections of receivables previously written off are included in income as received.

Allowance for Doubtful Accounts - The company considers all accounts collectible at year end; therefore, no allowance for doubtful accounts is maintained. Interstate telephone uncollectibles are reported to NECA for reimbursement. The company assumes the loss for intrastate telephone uncollectibles.

1. Summary of Significant Accounting Policies-Continued:

Telephone Plant Accounting - Telephone plant is stated at original cost when placed in service. When telephone plant is retired, the original cost of the plant is charged against the accumulated depreciation and the net salvage is credited to the accumulated depreciation. The cost of maintenance and repairs of telephone plant, including the cost of replacing minor items not affecting substantial betterments, is charged principally to maintenance expense.

Depreciation and Amortization - Depreciation is provided under the straight-line method for accounting purposes and generally under accelerated methods for income tax purposes. Intangibles are amortized over a five to fifteen year life.

Depreciation is charged directly to operating expenses. Stated as a percentage of telephone plant, depreciation amounted to 6.97% for 2004 and 8.19% for 2003.

Advertising - The company charges advertising costs to expense as incurred. Advertising costs amounted to \$278,822 for 2004 and \$31,190 for 2003.

Revenue Recognition - Telephone revenues are recognized when earned and are primarily derived from usage of the company's local exchange network and facilities. The company accrues unbilled revenues earned from the date customers were last billed to the end of the accounting period. Certain toll and access service revenues are estimated under cost separation procedures that base revenues on current operating costs and investments in facilities to provide such services. Certain revenues derived from local telephone, Internet and video services are billed monthly in advance and are recognized the following month when the services are provided. At year end, a liability is recorded for the advance billing which is netted against current receivables. Revenues derived from other telecommunications services, principally network access, long distance and wireless airtime usage, are recognized monthly as services are provided.

Materials and Supplies - Materials and supplies are related to the construction and maintenance of telephone plant, video services, and inventory held for sale. Materials and supplies are stated at the lower of cost (first-in, first-out basis) or market.

Cash Flows - For purposes of the statement of cash flows, the company considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The most significant estimates relate to inventory obsolescence, depreciation and employee benefit plans. Accordingly, actual results could differ from those estimates.

Comprehensive Income - Unrealized gains or losses on the company's available-for-sale securities are included in other comprehensive income.

1. Summary of Significant Accounting Policies-Continued:

Subchapter S Corporation - The company has elected to be taxed under Subchapter S of the Internal Revenue, whereby its income is taxed directly to the shareholder. On January 1, 2005, the company terminated its S Corporation status and elected to be taxed as a C Corporation.

2. Cash:

A summary of cash at December 31 follows:

	<u>2004</u>	<u>2003</u>
Working Funds	\$ 4,700	\$ 4,700
General Funds	<u>2,981,612</u>	<u>2,177,232</u>
TOTAL	<u>\$ 2,986,312</u>	<u>\$ 2,181,932</u>

The company has on deposit at commercial banks, funds in excess of the amount insured by the FDIC.

3. Telecommunications Accounts Receivable:

A summary of telecommunications accounts receivable at December 31 follows:

	<u>2004</u>	<u>2003</u>
Subscriber Billings	\$ 360,643	\$ 328,962
Unbilled Receivables	252,093	232,295
Interexchange Carriers	<u>1,089,171</u>	<u>1,429,999</u>
TOTAL	<u>\$ 1,701,907</u>	<u>\$ 1,991,256</u>

4. Other Accounts Receivable:

A summary of other accounts receivable at December 31 follows:

	<u>2004</u>	<u>2003</u>
Trade Receivables	\$ 67,076	\$ 13,395
Employees	1,809	5,184
Sales Tax Refunds	170,602	-
Other	<u>259,743</u>	<u>140,063</u>
TOTAL	<u>\$ 499,230</u>	<u>\$ 158,642</u>

5. Investments:

Investments in equity securities are classified as Available for Sale. Available for Sale Securities are recorded at fair value in investments on the balance sheet, with the change in fair value during the period excluded from earnings and recorded as a separate component of equity. Investments are periodically reviewed for impairment. If the carrying value of the investment exceeds its fair value and the decline in value is determined to be other-than-temporary, an impairment loss would be recognized for the difference.

A summary of investments at December 31, 2004 follows:

Investments Available for Sale:	AMORTIZED COST	GROSS UNREALIZED HOLDING GAINS	GROSS UNREALIZED HOLDING LOSSES	FAIR MARKET VALUE
Arch Wireless, Inc., 2 shares	\$ 101	\$ -	\$ -	\$ 101
Total Investments Available for Sale	<u>\$ 101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101</u>

A summary of investments at December 31, 2003 follows:

Investments Available for Sale:	AMORTIZED COST	GROSS UNREALIZED HOLDING GAINS	GROSS UNREALIZED HOLDING LOSSES	FAIR MARKET VALUE
Arch Wireless, Inc., 2 shares	\$ 101	\$ -	\$ -	\$ 101
US Unwired Inc., 366,900 Shares	917,250	-	(583,371)	333,879
Total Investments Available for Sale	<u>\$ 917,351</u>	<u>\$ -</u>	<u>\$ (583,371)</u>	<u>\$ 333,980</u>

The change in net unrealized holding gain (loss) on securities available for sale that has been included as a separate component of stockholders' equity was \$-0- for 2004 and \$(583,371) for 2003 .

5. Investments-Continued:

Fair value is determined based on quoted market prices. Realized gains and losses are determined on the basis of specific cost. The US Unwired investment was sold in 2004. Sales proceeds and realized gains and losses on securities classified as available for sale were:

	<u>2004</u>	<u>2003</u>
Sales Proceeds	<u>\$ 1,184,656</u>	<u>\$ 488,894</u>
Gross Realized Gains	<u>\$ 267,406</u>	<u>\$ 14,320</u>
Gross Realized Losses	<u>\$ -</u>	<u>\$ -</u>

6. Investments in USCarrier Telecom, LLC:

During 2003, the company changed from the equity to the cost method to account for its investments in USCarrier Telecom, LLC. The change in accounting method has occurred due to the company's decrease in ownership. The company believes the net carrying value approximates the investment's fair market value.

USCarrier Telecom, LLC provides for the construction and operation of a fiber optic communications system in the states of Georgia, Alabama and Florida. The company has a 1.012% interest in the LLC. All of the company's Class A units are pledged as collateral on the debt of USCarrier's long term financing with CIT Group/Equipment Financing, Inc.

The company has entered into a lease agreement with USCarrier to lease communications systems to USCarrier. Total lease income under this agreement was \$104,949 for 2004 and 2003. Under the terms of the agreement, the company has elected to receive payment of the lease in class A units.

No capital contributions were made to US Carrier in 2004 or 2003, and no future contributions are planned.

The investment is shown on the balance sheet at net investment less accumulated operating losses as follows:

	<u>NET CASH ADVANCES</u>	<u>ACCUMULATED EARNINGS (LOSSES)</u>	<u>2004 TOTAL</u>	<u>2003 TOTAL</u>
USCarrier Telecom, LLC	<u>\$ 2,224,143</u>	<u>\$ (1,870,316)</u>	<u>\$ 353,827</u>	<u>\$ 248,878</u>

7. Cash Surrender Value Life Insurance.

The company maintains life insurance coverage on certain key employees. The coverage is as follows:

<u>INSURED</u>	<u>COVERAGE</u>	<u>CASH VALUE</u>	
		<u>2004</u>	<u>2003</u>
President	\$ 876,681	<u>\$ 347,508</u>	<u>\$ 314,992</u>

The company is owner and beneficiary of the policy.

8. Other Assets:

A summary of other assets at December 31 follows:

	<u>2004</u>	<u>2003</u>
License Fees	\$ 266,000	\$ 292,600
Advances to Data FM	342,528	219,778
Deferred CAD Charges	144,704	195,114
Retirement Annuity	42,215	84,429
Loan Origination Fees	66,210	71,652
Commercial Building	60,000	60,000
Officer Split Dollar Receivable	127,966	29,916
Feasibility Study	<u>151,960</u>	<u>136,250</u>
TOTAL	<u>\$ 1,201,583</u>	<u>\$ 1,089,739</u>

The company has entered into a limited collateral split dollar agreement with a key Officer for life insurance coverage. The agreement specifies that upon the death of the Officer, upon cancellation or surrender of the Policy, or termination of this agreement, the company will be reimbursed for the lesser of insurance premiums paid or cash surrender value. A receivable has been recorded on the books at the lesser of the two amounts.

9. Assets Pledged:

Substantially all assets are pledged as security for the long-term debt to CoBank

10. Property, Plant and Equipment:

Property, plant and equipment in service and under construction by major classes at December 31 follows:

	<u>2004</u>	<u>2003</u>
Land	\$ 388,415	\$ 497,068
Vehicles and Work Equipment	1,510,642	1,455,613
Buildings	4,320,294	3,174,476
Furniture and Office Equipment	3,054,732	2,715,223
Video Equipment	2,684,306	2,558,156
Central Office Equipment	9,764,450	9,281,658
Toll and Subscriber Carrier	7,893,824	7,445,907
Station Apparatus	1,685,064	1,410,063
Station Connections	386,377	386,377
Poles, Cables and Wire	<u>26,782,303</u>	<u>25,753,803</u>
	\$ 58,470,407	\$ 54,678,344
Plant Under Construction	188,699	700,369
Non-Operating Plant	<u>6,442</u>	<u>6,442</u>
TOTAL	<u>\$ 58,665,548</u>	<u>\$ 55,385,155</u>

Depreciation for 2004 was \$3,965,352 and for 2003 was \$4,415,302.

Individual depreciation rates are as follows:

	<u>PERCENT</u>
Vehicles and Work Equipment	11.00
Buildings	2.50
Furniture and Office Equipment	9.00-14.25
Video Equipment	10.00-20.00
Central Office Equipment	9.00-10.00
Toll and Subscriber Carrier	9.00-11.00
Station Apparatus	4.50-10.00
Station Connections	8.00
Poles, Cables and Wire	5.00

11. Lease Obligations:

Capital Leases

The company leases postage machine equipment under capital leases expiring in 2005 and 2007. The company also leases video equipment under a capital lease expiring in 2009 and telephone switching equipment expiring in 2006. The assets and liabilities under the capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are depreciated over the lower of the related lease term or its estimated productive life. Depreciation of the assets under capital leases are included in depreciation expense. Depreciation expense was \$259,769 for 2004 and 2003.

Following is a summary of property held under capital lease:

	<u>2004</u>	<u>2003</u>
Postage Machine & Equipment	\$ 56,704	\$ 80,854
Video Equipment	1,739,000	1,739,000
Switching Equipment	195,599	-
Less: Accumulated Depreciation	<u>(545,418)</u>	<u>(301,346)</u>
Net Book Value	<u>\$ 1,445,885</u>	<u>\$ 1,518,508</u>

Minimum future lease payments under capital lease as of December 31, 2004 for the next five years are:

	<u>AMOUNT</u>
2005	\$ 404,774
2006	449,015
2007	321,199
2008	312,677
2009	286,621
Less. Amount Representing Interest	<u>(280,362)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,493,924</u>

The interest rates on the capital leases vary from 6.40% to 6.78% and are imputed based on the lower of the company's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

Operating Leases

The company leases vehicles, office and plant equipment under operating leases expiring in various years through 2008.

11. Lease Obligations - Continued:

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2004 for each of the next four years and in the aggregate are:

	AMOUNT
2005	\$ 406,859
2006	370,276
2007	313,908
2008	137,723
	<hr/>
Total minimum future rental payments	<u>\$ 1,228,766</u>

12. Long-Term Debt:

The following is a summary of outstanding long-term debt:

	<u>2004</u>	<u>2003</u>
Note payable to CoBank, bearing interest at a current variable rate of 5.06%, matures July 2005; expected to be renewed at maturity	\$ 1,449,969	\$ 1,449,969
Note payable to CoBank, bearing interest at a fixed rate of 6.50% through July 2007; matures July 2017	16,497,885	17,468,063
Note payable to finance company; noninterest bearing; payable in monthly installments of \$770; maturing in November 2006	17,708	26,946
Note payable to individual; noninterest bearing; payable in annual installments of \$6,000; maturing in February 2009	36,000	36,000
Note payable to shareholder; due on demand	345,703	88,609
Total	<u>\$ 18,347,265</u>	<u>\$ 19,069,587</u>
Less: Current Installments	<u>(1,398,985)</u>	<u>(1,140,443)</u>
NET	<u>\$ 16,948,280</u>	<u>\$ 17,929,144</u>

12. Long-Term Debt - Continued:

As of December 31, 2004, there was \$1,050,031 in unadvanced loan funds from CoBank.

Principal and interest installments on the above notes are due in monthly installments of approximately \$175,500 and annual installments of \$6,000.

The company follows the policy of capitalizing interest as a component of the cost of property, plant and equipment constructed for its own use. In 2004, total interest incurred was \$1,303,448 of which \$16,889 was capitalized. In 2003, total interest incurred was \$1,377,021 of which \$5,613 was capitalized. The capitalization rate used to determine the amount of interest eligible for capitalization was 6.41% for 2004 and 5.08% for 2003.

Debt agreements with CoBank contain certain restrictions and financial ratio requirements which must be met each year. The company did not comply with certain restrictions in 2004 and 2003. Those requirements were waived by CoBank.

Maturities of long-term debt for each of the five years succeeding the balance sheet date is estimated as follows:

<u>YEAR</u>	<u>AMOUNT</u>
2005	\$ 1,398,985
2006	1,121,647
2007	1,186,918
2008	1,265,569
2009	1,349,459

13. Deferred Compensation Plan:

The company has a deferred compensation program for key employees. The company has purchased individual life insurance contracts with respect to each employee covered by this program. The expense associated with the deferred compensation plan was \$-0- for 2004 and 2003. The contributions are considered a general asset of the corporation until remitted to the participant named. The participant benefits are vested. Therefore, a liability has been recorded for the future benefit payments. Distribution payments for one retired employee began in 2000 and end in 2006.

The company has another deferred compensation program for a key officer. Under this program, the company agrees to pay the covered employee a certain sum within 60 days of retirement, death, disability, or the company's termination of officer's employment without cause. An amount is credited to a Deferred Compensation Account on the company books at the end of each year that the officer remains continuously employed by the company, beginning December 31, 2002. All amounts credited to the Deferred Compensation Account will become fully vested and payable to the officer or his designated beneficiary upon the Officer's retirement from employment with the company. The amount deferred under the Deferred Compensation Agreement was \$50,000 for 2004 and 2003. The Deferred Account is an unsecured obligation of the company.

14. Accumulated Postretirement Benefits:

The company provides health and life insurance benefits and telephone service for its retired employees. During 2003, the company changed its policy for future retiree benefits. Prior to 2003, substantially all employees were eligible for benefits at retirement. After the change, employees eligible to retire under the Rule of 85 by December 31, 2010 will be provided retiree and spousal group health insurance coverage. Employees eligible to retire under the Rule of 85 by December 31, 2017 will be provided retiree group health insurance coverage only. No health insurance coverage will be provided for employees or spouses who are eligible to retire under the Rule of 85 after December 31, 2017. The plan is unfunded

The benefits are recorded in accordance with FASB Statement 106. The company has elected to amortize the transition obligation over twenty years. Benefit payments for 2004 and 2003 were \$111,059 and \$148,040, respectively.

	ACCRUED POST- RETIREMENT BENEFIT COST	ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION	UNRECOGNIZED TRANSITION OBLIGATION
Beginning of Year	\$ 2,202,004	\$ 2,519,590	\$ 317,586
Recognition of Components of Net Periodic Postretirement Benefit Cost:			
Service Cost	\$ 305,686	\$ 305,686	\$ -
Interest Cost	Not Available	Not Available	Not Available
Gains	Not Available	Not Available	Not Available
Amortization of Transition Obligation	Not Available	Not Available	Not Available
	\$ 305,686	\$ 305,686	\$ -
Benefit Payments	(111,059)	(111,059)	-
Net Change	\$ 194,627	\$ 194,627	\$ -
End of Year	\$ 2,396,631	\$ 2,714,217	\$ 317,586

For measurement purposes, a 8.50% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2004. The rate was assumed to decrease gradually to 5.50% at year 2011 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. Increasing the assumed health care cost trend rates by one percentage point each year would increase the accumulated postretirement benefit obligation by \$512,197 and the aggregate of the service and interest cost components of postretirement expense for the year by \$39,902.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 5.75%.

15. Common Stock and Retained Earnings:

There are 1,000,000 shares of \$1 par value common stock authorized of which 72,000 shares were issued and outstanding at December 31, 2004 and 2003, respectively.

The terms of the mortgage agreement with CoBank require that the payment of dividends be limited to the previous year's net income

16. Accumulated Other Comprehensive Income (Loss):

Changes in the components of other comprehensive income (loss) and in accumulated other comprehensive income (loss) for 2004 and 2003 is as follows.

	UNREALIZED GAINS (LOSSES) ON SECURITIES	ACCUMULATED OTHER COMPREHENSIVE LOSS
Balance at January 1, 2004	\$ (583,371)	\$ (583,371)
Change during 2004	583,371	583,371
Balance at December 31, 2004	<u>\$ -</u>	<u>\$ -</u>
	UNREALIZED GAINS (LOSSES) ON SECURITIES	ACCUMULATED OTHER COMPREHENSIVE LOSS
Balance at January 1, 2003	\$ (771,118)	\$ (771,118)
Change during 2003	187,747	187,747
Balance at December 31, 2003	<u>\$ (583,371)</u>	<u>\$ (583,371)</u>

17. Pension and Savings Plan:

The company has a defined benefit pension plan in effect for all employees at December 31, 2004 and 2003, which is a part of the industry wide retirement and security program with the National Telephone Cooperative Association (NTCA). It is a multi-employer defined benefit plan which constitutes a "master plan" for affiliates, and its member organizations who have adopted the plan.

17 Pension and Savings Plan -Continued:

The pension plan is funded through employer contributions that are specified at the time an employee adopts the program; such an election can later be changed but only for future years. These contributions, plus earnings that accumulate tax-free in the program's unallocated trust fund, are sufficient to fund the plan's past and future service costs on an ongoing basis. Employee contribution balances are maintained on an individual basis. The company contributes 11.60% of participating employee's annual salary to the plan.

The company's expense for the years ended December 31, 2004 and 2003 was \$705,495 and \$536,891, respectively. Information necessary for other disclosures required by FASB #87 are not available on a company by company basis because all pension fund assets and vested benefits are pooled for investment and reporting purposes.

The company also has a savings plan for all eligible employees that is administered by the Fidelity Investments. The employees must make contributions of 2% of annual salary to the savings plan. The company contributes 4% of the employees' annual salary. The company's cost for the savings plan for 2004 was \$174,929 and for 2003 was \$182,261.

18. Related Party Transactions:

The Ringgold Telephone Company has advanced to Data FM, a company owned by the sole shareholder's family, \$-0- in 2004 and \$20,000 in 2003.

The Ringgold Telephone Company has paid \$180,000 in management fees to Community Messenger in 2003 and 2004. The fees were eliminated in consolidation.

The company has entered into an operating lease agreement with its owner for the lease of a building beginning December 1, 2002 and running for a period of 20 years. The annual lease expense is \$222,000. Lessor may increase or decrease the rent based on the fair market lease rate in North Georgia/ South Tennessee geographical area

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION

CONSOLIDATING BALANCE SHEET

CONSOLIDATING STATEMENT OF
RETAINED EARNINGS

CONSOLIDATING STATEMENT OF
OPERATIONS

CONSOLIDATING STATEMENT OF
COMPREHENSIVE INCOME

CONSOLIDATING STATEMENT OF
CASH FLOWS

CONSOLIDATING OTHER INCOME
AND EXPENSE

HAYNES & MOORE, LLC

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THE UNITED STATES

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
The Ringgold Telephone Company
Ringgold, Georgia 30736

Gentlemen:

Our report on our audits of the consolidated financial statements of The Ringgold Telephone Company and subsidiaries for 2004 and 2003 appears on page 1. Those audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on Schedules 1 through 6 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements for the years ended December 31, 2004 and 2003 taken as a whole.

The graphic presentations are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, accordingly, we express no opinion on them.

Haynes + Moore, LLC

February 3, 2005

THE RINGGOLD TELEPHONE COMPANY
AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2004

ASSETS

	THE RINGGOLD TELEPHONE COMPANY	RINGGOLD TELEPHONE LONG DISTANCE INC	RINGGOLD TELEPHONE PCS CORPORATION	COMMUNITY MESSENGER INC	RTC COMM SYS	LISTIT	ELIMINATIONS	CONSOLIDATED TOTAL
CURRENT ASSETS								
Cash and Cash Equivalents	\$ 2,965,575	\$ -	\$ -	\$ 2,877	\$ -	\$ 17,860	\$ -	\$ 2,986,312
Telecommunications Accounts Receivable	1,701,907	-	-	-	-	-	-	1,701,907
Other Accounts Receivable	432,154	16,261	-	-	50,815	-	-	499,230
Materials and Supplies	412,669	-	-	39,474	4,883	-	-	457,026
Prepaid Expense	203,395	-	-	-	35,942	-	(15,000)	224,337
TOTAL CURRENT ASSETS	\$ 5,715,700	\$ 16,261	\$ -	\$ 42,351	\$ 91,640	\$ 17,860	\$ (15,000)	\$ 5,868,812
NON-CURRENT ASSETS								
Advances to Affiliate	\$ 1,671,954	\$ 1,000	\$ 1,000	\$ 500	\$ 67,270	\$ -	\$ (1,741,724)	\$ -
Investments	1,601	-	-	-	-	-	(1,500)	101
Investment in Ringgold PCS	918,250	-	-	-	-	-	(918,250)	-
Investment in USCarrier Telecom, LLC	353,827	-	-	-	-	-	-	353,827
Rural Telephone Bank Stock	285,500	-	-	-	-	-	-	285,500
CoBank Participation Certificate	281,847	-	-	-	-	-	-	281,847
Cash Surrender Value Life Insurance	347,508	-	-	-	-	-	-	347,508
Prepaid Expense	262,961	-	-	-	-	-	-	262,961
Other Assets	627,323	-	-	574,260	-	-	-	1,201,583
TOTAL NON-CURRENT ASSETS	\$ 4,750,771	\$ 1,000	\$ 1,000	\$ 574,760	\$ 67,270	\$ -	\$ (2,661,474)	\$ 2,733,327
PROPERTY, PLANT AND EQUIPMENT								
Plant in Service	\$ 58,468,343	\$ -	\$ -	\$ 2,064	\$ -	\$ -	\$ -	\$ 58,470,407
Plant Under Construction	188,699	-	-	-	-	-	-	188,699
Non-Operating Plant	6,442	-	-	-	-	-	-	6,442
Subtotal Plant	\$ 58,663,484	\$ -	\$ -	\$ 2,064	\$ -	\$ -	\$ -	\$ 58,665,548
Less Accumulated Depreciation	30,985,526	-	-	1,703	-	-	-	30,987,229
NET PROPERTY, PLANT AND EQUIPMENT	\$ 27,677,958	\$ -	\$ -	\$ 361	\$ -	\$ -	\$ -	\$ 27,678,319
TOTAL	\$ 38,144,429	\$ 17,261	\$ 1,000	\$ 617,472	\$ 158,910	\$ 17,860	\$ (2,676,474)	\$ 36,280,458

THE RINGGOLD TELEPHONE COMPANY
AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 2004

	THE RINGGOLD TELEPHONE COMPANY	RINGGOLD TELEPHONE LONG DISTANCE INC	RINGGOLD TELEPHONE PCS CORPORATION	COMMUNITY MESSENGER INC	RTC COMM SYS	LISTIT	ELIMINATIONS	CONSOLIDATED TOTAL
RETAINED EARNINGS (DEFICIT) BEGINNING	\$ 12,280,123	\$ (277,281)	\$ -	\$ (818,668)	\$ -	\$ -	\$ -	\$ 11,184,174
Net Income (Loss)	561,504	(184,925)	267,406	(30,865)	(51,412)	(101,302)	-	460,406
	<u>\$ 12,841,627</u>	<u>\$ (462,206)</u>	<u>\$ 267,406</u>	<u>\$ (849,533)</u>	<u>\$ (51,412)</u>	<u>\$ (101,302)</u>	<u>\$ -</u>	<u>\$ 11,644,580</u>
Dividends Paid	(10,000)	-	-	-	-	-	-	(10,000)
Dividends - Intercompany	<u>1,184,656</u>	<u>-</u>	<u>(1,184,656)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
RETAINED EARNINGS (DEFICIT) ENDING	<u>\$ 14,016,283</u>	<u>\$ (462,206)</u>	<u>\$ (917,250)</u>	<u>\$ (849,533)</u>	<u>\$ (51,412)</u>	<u>\$ (101,302)</u>	<u>\$ -</u>	<u>\$ 11,634,580</u>

THE RINGGOLD TELEPHONE COMPANY
AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2004

LIABILITIES AND STOCKHOLDERS' EQUITY

	THE RINGGOLD TELEPHONE COMPANY	RINGGOLD TELEPHONE LONG DISTANCE INC	RINGGOLD TELEPHONE PCS CORPORATION	COMMUNITY MESSENGER INC	RTC COMM SYS	LISTIT	ELIMINATIONS	CONSOLIDATED TOTAL
CURRENT LIABILITIES								
Accounts Payable	\$ 1,053,461	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,053,461
Current Obligations Under Capital Lease	316,820	-	-	-	-	-	-	316,820
Current Maturities of Long-Term Debt	1,398,985	-	-	-	-	-	-	1,398,985
Customer Deposits	630	-	-	-	-	-	-	630
Other Accrued Liabilities	208,560	-	-	123	39,748	966	-	249,397
Compensated Absences	60,997	-	-	-	-	-	-	60,997
TOTAL CURRENT LIABILITIES	\$ 3,039,453	\$ -	\$ -	\$ 123	\$ 39,748	\$ 966	\$ -	\$ 3,080,290
OBLIGATIONS UNDER CAPITAL LEASE								
	\$ 1,177,104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,177,104
LONG-TERM DEBT								
	\$ 16,948,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,948,280
OTHER LIABILITIES								
Advances from Affiliate	\$ 69,770	\$ 478,467	\$ -	\$ 904,717	\$ 170,574	\$ 118,196	\$ (1,741,724)	\$ -
Accumulated Postretirement Benefits	2,396,631	-	-	-	-	-	-	2,396,631
Deferred Revenue	10,103	-	-	15,000	-	-	(15,000)	10,103
Deferred Compensation	412,961	-	-	-	-	-	-	412,961
TOTAL OTHER LIABILITIES	\$ 2,889,465	\$ 478,467	\$ -	\$ 919,717	\$ 170,574	\$ 118,196	\$ (1,756,724)	\$ 2,819,695
STOCKHOLDERS' EQUITY								
Common Stock	\$ 72,000	\$ 1,000	\$ 1,000	\$ 500	\$ -	\$ -	\$ (2,500)	\$ 72,000
Paid-In Capital	1,844	-	917,250	546,665	-	-	(917,250)	548,509
Retained Earnings	14,016,283	(462,206)	(917,250)	(849,533)	(51,412)	(101,302)	-	11,634,580
TOTAL STOCKHOLDERS' EQUITY	\$ 14,090,127	\$ (461,206)	\$ 1,000	\$ (302,368)	\$ (51,412)	\$ (101,302)	\$ (919,750)	\$ 12,255,089
TOTAL	\$ 38,144,429	\$ 17,261	\$ 1,000	\$ 617,472	\$ 158,910	\$ 17,860	\$ (2,676,474)	\$ 36,280,458

THE RINGGOLD TELEPHONE COMPANY
AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2004

	THE RINGGOLD TELEPHONE COMPANY	RINGGOLD TELEPHONE LONG DISTANCE, INC	RINGGOLD TELEPHONE PCS CORPORATION	COMMUNITY MESSENGER INC	RTC COMM SYS	LISTIT	ELIMINATIONS	CONSOLIDATED TOTAL
OPERATING REVENUES								
Local Network Service	\$ 5,500,218	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ 5,500,218
Network Access Service	10,756,002	-	-	-	-	-	-	10,756,002
Internet Revenue	1,351,074	-	-	-	-	-	-	1,351,074
Other Revenue	1,074,852	506,353	-	1,000	-	-	-	1,582,205
Miscellaneous Revenue	712,857	-	-	180,000	74,365	18,645	(368,948)	616,919
Sales	153,947	-	-	-	-	-	-	153,947
	<u>\$ 19,548,950</u>	<u>\$ 506,353</u>	<u>\$ -</u>	<u>\$ 181,000</u>	<u>\$ 74,365</u>	<u>\$ 18,645</u>	<u>\$ (368,948)</u>	<u>\$ 19,960,365</u>
Uncollectible Revenue	57,157	14,135	-	-	-	-	-	71,292
TOTAL OPERATING REVENUES	<u>\$ 19,491,793</u>	<u>\$ 492,218</u>	<u>\$ -</u>	<u>\$ 181,000</u>	<u>\$ 74,365</u>	<u>\$ 18,645</u>	<u>\$ (368,948)</u>	<u>\$ 19,889,073</u>
OPERATING EXPENSE								
Plant Specific Operations	\$ 5,107,152	\$ 649,339	\$ -	\$ -	-	\$ -	\$ (167,448)	\$ 5,589,043
Plant Non-Specific Operations	1,497,205	-	-	-	-	-	-	1,497,205
Depreciation and Amortization	3,938,339	-	-	27,013	-	-	-	3,965,352
Customer Operations Expense	1,903,445	25,429	-	56,790	125,777	119,947	(20,000)	2,211,388
Corporate Operations	3,391,033	2,375	-	128,062	-	-	(181,500)	3,339,970
Internet Expense	589,160	-	-	-	-	-	-	589,160
Other Expense	1,379,340	-	-	-	-	-	-	1,379,340
	<u>\$ 17,805,674</u>	<u>\$ 677,143</u>	<u>\$ -</u>	<u>\$ 211,865</u>	<u>\$ 125,777</u>	<u>\$ 119,947</u>	<u>\$ (368,948)</u>	<u>\$ 18,571,458</u>
NET OPERATING REVENUE (LOSS)	\$ 1,686,119	\$ (184,925)	\$ -	\$ (30,865)	\$ (51,412)	\$ (101,302)	\$ -	\$ 1,317,615
OPERATING TAXES:								
Other Taxes	332,236	-	-	-	-	-	-	332,236
	<u>\$ 1,353,883</u>	<u>\$ (184,925)</u>	<u>\$ -</u>	<u>\$ (30,865)</u>	<u>\$ (51,412)</u>	<u>\$ (101,302)</u>	<u>\$ -</u>	<u>\$ 985,379</u>
NET OPERATING INCOME (LOSS)	494,180	-	267,406	-	-	-	-	761,586
OTHER INCOME AND (EXPENSE)								
INCOME BEFORE MISCELLANEOUS DEDUCTIONS	\$ 1,848,063	\$ (184,925)	\$ 267,406	\$ (30,865)	\$ (51,412)	\$ (101,302)	\$ -	\$ 1,746,965
INTEREST EXPENSE	1,286,559	-	-	-	-	-	-	1,286,559
NET INCOME (LOSS)	<u>\$ 561,504</u>	<u>\$ (184,925)</u>	<u>\$ 267,406</u>	<u>\$ (30,865)</u>	<u>\$ (51,412)</u>	<u>\$ (101,302)</u>	<u>\$ -</u>	<u>\$ 460,406</u>

THE RINGGOLD TELEPHONE COMPANY
AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
DECEMBER 31, 2004

	THE RINGGOLD TELEPHONE COMPANY	RINGGOLD TELEPHONE LONG DISTANCE INC	RINGGOLD TELEPHONE PCS CORPORATION	COMMUNITY MESSENGER INC	RTC COMM SYS	LISTIT	ELIMINATIONS	CONSOLIDATED TOTAL
Net Income (Loss)	\$ 561,504	\$ (184,925)	\$ 267,406	\$ (30,865)	\$ (51,412)	\$ (101,302)	\$ -	\$ 460,406
Other Comprehensive Income (Loss)								
Net of Tax								
Unrealized Gains on Securities								
Gains Arising During the Year	\$ -	\$ -	\$ 113,308	\$ -	\$ -	\$ -	\$ -	\$ 113,308
Reclassification Adjustment	-	-	(267,406)	-	-	-	-	(267,406)
Other Comprehensive Income (Loss)	\$ -	\$ -	\$ (154,098)	\$ -	\$ -	\$ -	\$ -	\$ (154,098)
Comprehensive Income (Loss)	\$ 561,504	\$ (184,925)	\$ 113,308	\$ (30,865)	\$ (51,412)	\$ (101,302)	\$ -	\$ 306,308

THE RINGGOLD TELEPHONE COMPANY
AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004

	THE RINGGOLD TELEPHONE COMPANY	RINGGOLD TELEPHONE LONG DISTANCE, INC.	RINGGOLD TELEPHONE PCS CORPORATION	COMMUNITY MESSENGER INC	RTC COMM SYS	LISTIT	ELIMINATIONS	CONSOLIDATED TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash Received from Customers	\$ 19,306,700	\$ -	\$ -	\$ 181,045	\$ -	\$ 18,645	\$ (124,474)	\$ 19,381,916
Cash Paid to Suppliers and Employees	(13,768,716)	-	-	(183,401)	-	(785)	(221,500)	(14,174,402)
Dividends and Interest Received	351,163	-	-	-	-	-	-	351,163
Interest Paid	(1,293,280)	-	-	-	-	-	-	(1,293,280)
NET CASH FROM OPERATING ACTIVITIES	\$ 4,595,867	\$ -	\$ -	\$ (2,356)	\$ -	\$ 17,860	\$ (345,974)	\$ 4,265,397
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from Sale of Investments	\$ -	\$ -	\$ 1,184,656	\$ -	\$ -	\$ -	\$ -	\$ 1,184,656
Proceeds from Sale of Buildings	575,000	-	-	-	-	-	-	575,000
Proceeds from Salvage of Equipment	7,500	-	-	-	-	-	-	7,500
Cost to Remove	(27,491)	-	-	-	-	-	-	(27,491)
Investments	(53,000)	-	-	-	-	-	-	(53,000)
Materials and Supplies	23,210	-	-	-	-	-	-	23,210
Loans from Shareholder-Net	257,094	-	-	-	-	-	-	257,094
Payment for Purchase of Equipment	(4,201,424)	-	-	-	-	-	-	(4,201,424)
NET CASH FROM INVESTING ACTIVITIES	\$ (3,419,111)	\$ -	\$ 1,184,656	\$ -	\$ -	\$ -	\$ -	\$ (2,234,455)
CASH FLOWS FROM FINANCING ACTIVITIES								
Customer Deposits	\$ 249	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 249
Intercompany Dividend	1,184,656	-	(1,184,656)	-	-	-	-	-
Advances to Affiliates	(345,974)	-	-	-	-	-	345,974	-
Dividends Paid	(10,000)	-	-	-	-	-	-	(10,000)
Payments on Long-Term Capital Lease	(237,395)	-	-	-	-	-	-	(237,395)
Payments on Long-Term Borrowings	(979,416)	-	-	-	-	-	-	(979,416)
NET CASH FROM FINANCING ACTIVITIES	\$ (387,880)	\$ -	\$ (1,184,656)	\$ -	\$ -	\$ -	\$ 345,974	\$ (1,226,562)
NET INCREASE (DECREASE) IN CASH	\$ 788,876	\$ -	\$ -	\$ (2,356)	\$ -	\$ 17,860	\$ -	\$ 804,380
CASH AT BEGINNING OF YEAR	2,176,699	-	-	5,233	-	-	-	2,181,932
CASH AT END OF YEAR	\$ 2,965,575	\$ -	\$ -	\$ 2,877	\$ -	\$ 17,860	\$ -	\$ 2,986,312

THE RINGGOLD TELEPHONE COMPANY
AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004
Increase (Decrease) in Cash

RECONCILIATION OF NET INCOME TO NET CASH FROM OPERATING ACTIVITIES	THE RINGGOLD TELEPHONE COMPANY	RINGGOLD TELEPHONE LONG DISTANCE, INC	RINGGOLD TELEPHONE PCS CORPORATION	COMMUNITY MESSENGER INC	RTC COMM SYS	LISTIT	ELIMINATIONS	CONSOLIDATED TOTAL
Net Income (Loss)	\$ 561,504	\$ (184,925)	\$ 267,406	\$ (30,865)	\$ (51,412)	\$ (101,302)	\$ -	\$ 460,406
Adjustments to Reconcile Net Income to Net Cash								
From Operating Activities								
Depreciation and Amortization	\$ 3,938,339	\$ -	\$ -	\$ 27,013	\$ -	\$ -	\$ -	\$ 3,965,352
Gain on Sale of Investments	-	-	(267,406)	-	-	-	-	(267,406)
Gain on Sale of Buildings	(202,287)	-	-	-	-	-	-	(202,287)
Building Donations	208,100	-	-	-	-	-	-	208,100
Change in Assets and Liabilities								
Telecommunications Accounts Receivable	101,558	-	-	-	-	-	187,791	289,349
Other Accounts Receivable	(286,907)	(2,866)	-	(122,705)	(118,085)	-	67,270	(463,293)
Materials and Supplies	-	-	-	-	(4,883)	-	-	(4,883)
Prepaid Expenses	(8,047)	-	-	-	(35,942)	-	-	(43,989)
Investments	(249,899)	-	-	-	-	-	-	(249,899)
Other Assets	67,356	-	-	-	-	-	-	67,356
Accounts Payable	188,106	187,791	-	124,474	170,574	118,196	(601,035)	188,106
Postretirement Benefits	194,627	-	-	-	-	-	-	194,627
Deferred Revenue	255	-	-	-	-	-	-	255
Other Liabilities	83,162	-	-	(273)	39,748	966	-	123,603
Total Adjustments	\$ 4,034,363	\$ 184,925	\$ (267,406)	\$ 28,509	\$ 51,412	\$ 119,162	\$ (345,974)	\$ 3,804,991
Net Cash From Operating Activities	\$ 4,595,867	\$ -	\$ -	\$ (2,356)	\$ -	\$ 17,860	\$ (345,974)	\$ 4,265,397
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES								
Plant Retired and Charged to Accumulated Depreciation	\$ 1,003,321	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,003,321
Non-Cash Salvage of Equipment	\$ 11,904	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,904

THE RINGGOLD TELEPHONE COMPANY
AND SUBSIDIARIES
CONSOLIDATING OTHER INCOME AND EXPENSE
YEAR ENDED DECEMBER 31, 2004

	THE RINGGOLD TELEPHONE COMPANY	RINGGOLD TELEPHONE LONG DISTANCE INC	RINGGOLD TELEPHONE PCS CORPORATION	COMMUNITY MESSENGER INC	RTC COMM SYS	LISTIT	ELIMINATIONS	CONSOLIDATED TOTAL
Interest Income	\$ 35,176	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,176
Dividend Income	433,370	-	-	-	-	-	-	433,370
Lease Revenue	104,949	-	-	-	-	-	-	104,949
Gain on Sale of								
Assets & Investments	202,288	-	267,406	-	-	-	-	469,694
Special Charges	(281,603)	-	-	-	-	-	-	(281,603)
TOTAL	\$ 494,180	\$ -	\$ 267,406	\$ -	\$ -	\$ -	\$ -	\$ 761,586

GRAPHIC PRESENTATIONS

ACCESS LINES

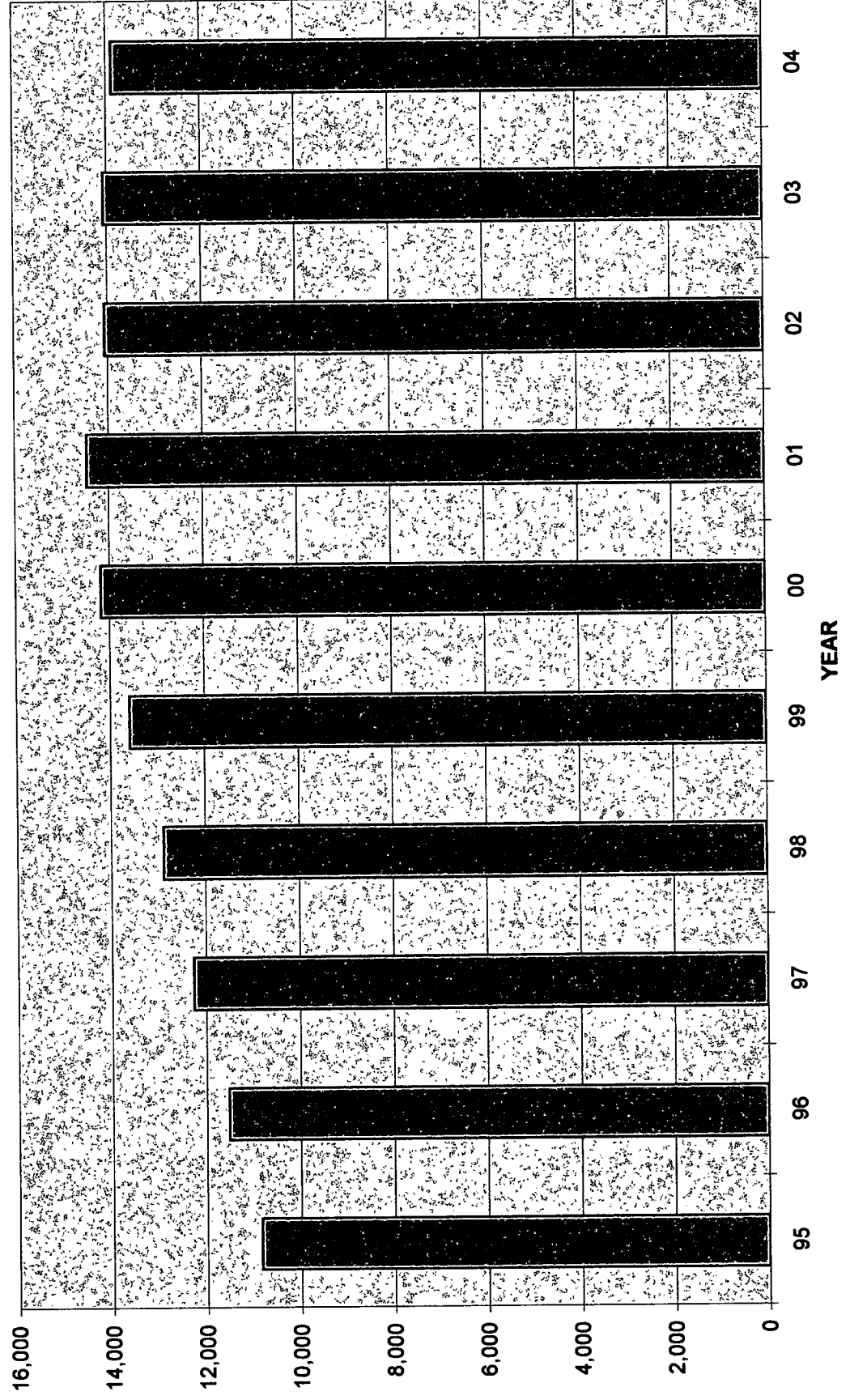
TELEPHONE PLANT IN SERVICE

LONG-TERM DEBT TO EQUITY

ANNUAL OPERATING REVENUE

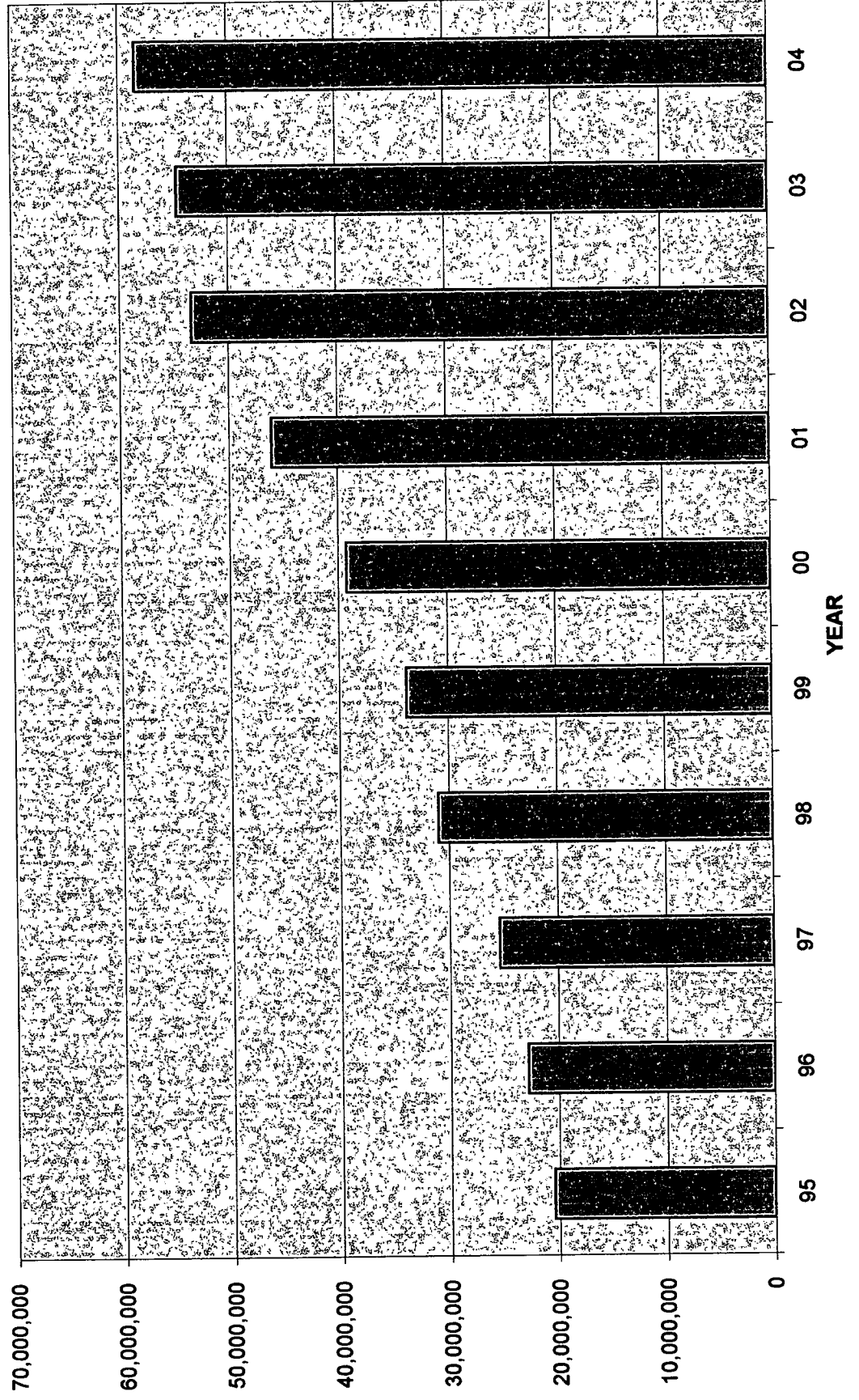
**THE RINGGOLD TELEPHONE COMPANY
ACCESS LINES**

(UNAUDITED)



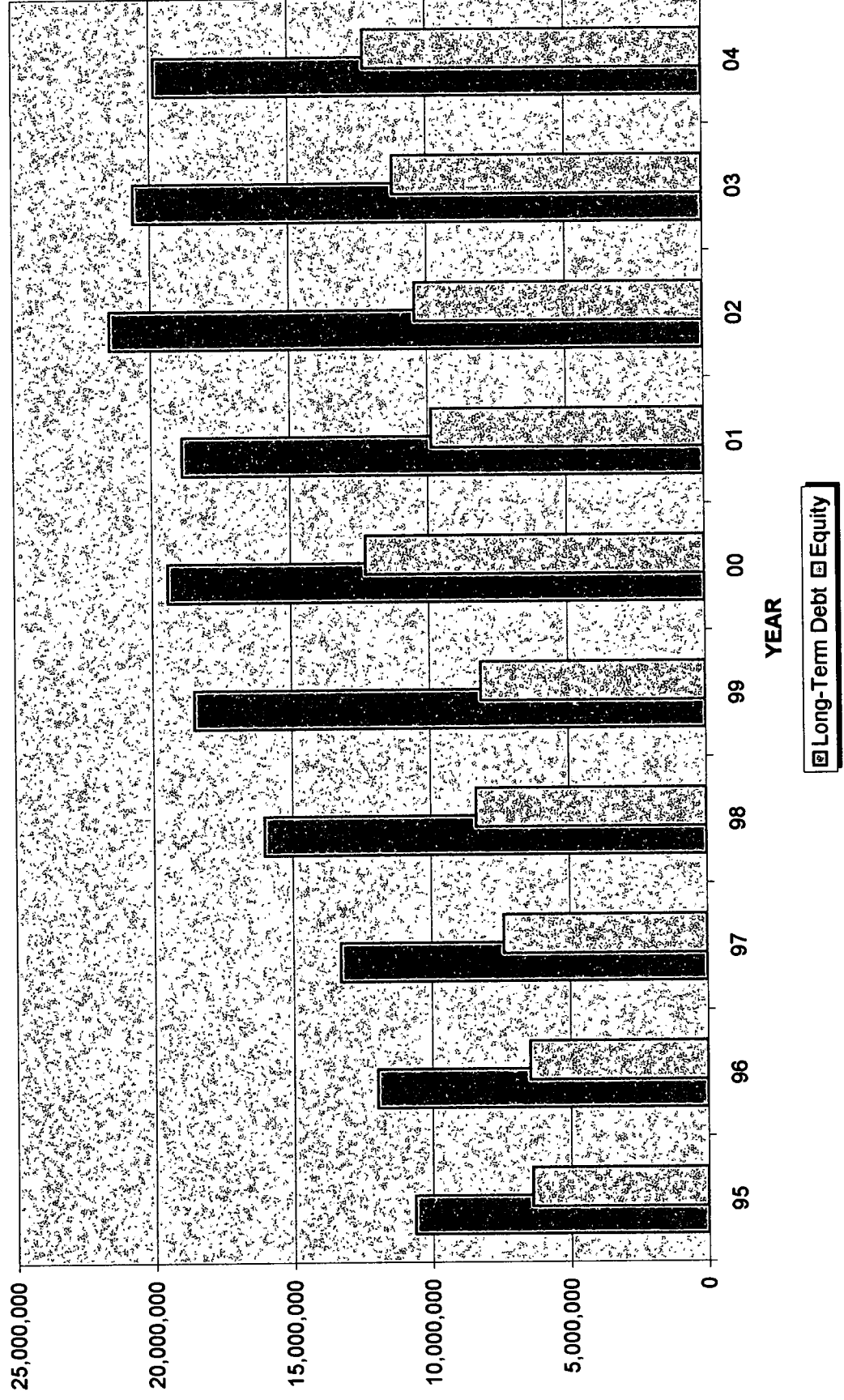
**THE RINGGOLD TELEPHONE COMPANY
TELEPHONE PLANT IN SERVICE**

(UNAUDITED)



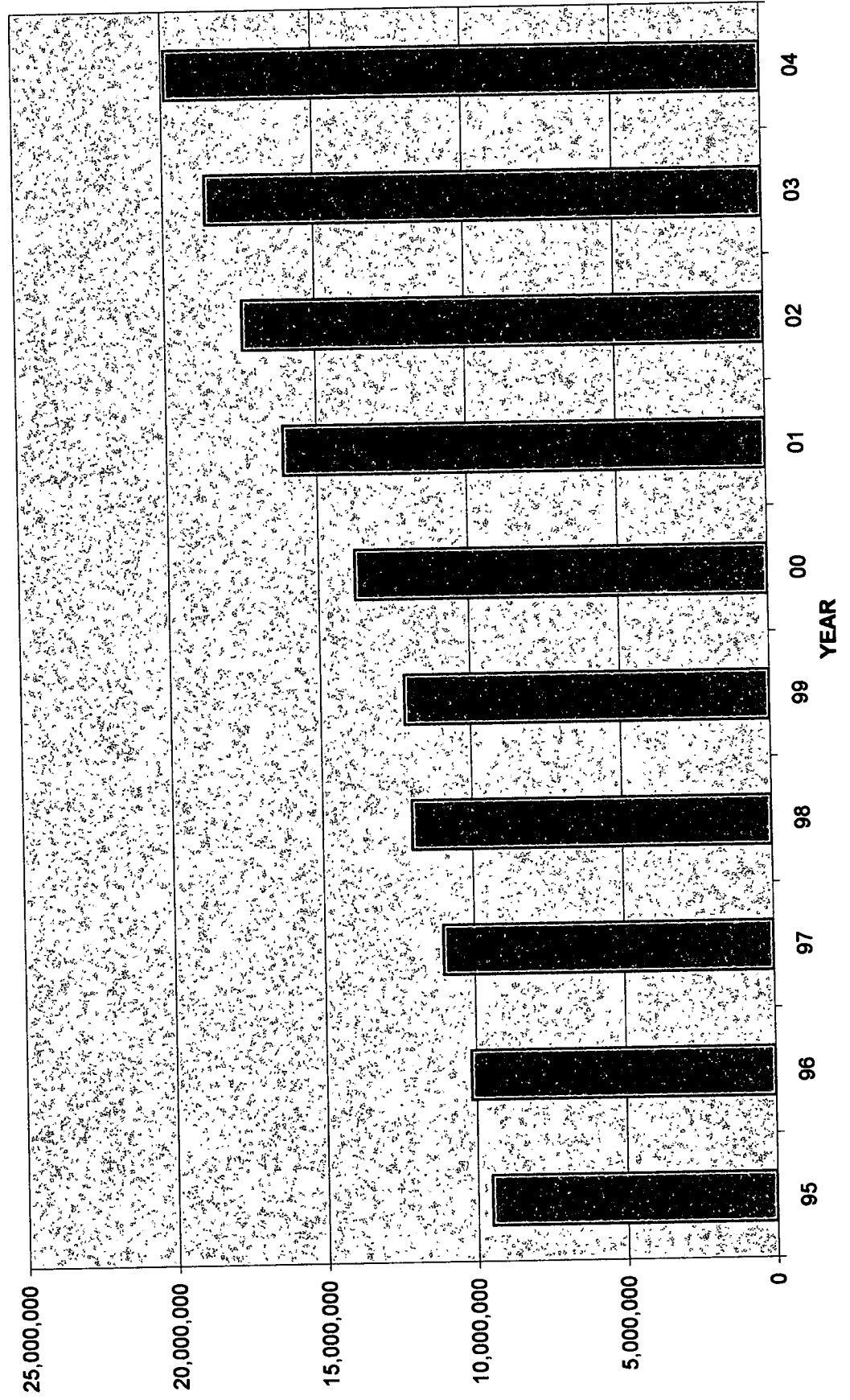
**THE RINGGOLD TELEPHONE COMPANY
LONG-TERM DEBT TO EQUITY**

(UNAUDITED)



**THE RINGGOLD TELEPHONE COMPANY
ANNUAL OPERATING REVENUE**

(UNAUDITED)



SUPPLEMENTARY REPORTS

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING

HAYNES & MOORE, LLC

CERTIFIED PUBLIC ACCOUNTANTS

JAMES A. THRELKELD CPA
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CERTIFIED PUBLIC ACCOUNTANTS
CPA AMERICA
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THE UNITED STATES

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Board of Directors
The Ringgold Telephone Company
Ringgold, Georgia 30736

We have audited the consolidated financial statements of The Ringgold Telephone Company as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated February 3, 2005. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The Ringgold Telephone Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit we considered The Ringgold Telephone Company's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, Management, and supplemental lenders, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited

Haynes + Moore, LLC

February 3, 2005

EXHIBIT G

Capital Expenditures

As noted in item 4.A. of Application, this is not provided as RTC initially will provide service on a resold and unbundled network element platform.

EXHIBIT H

Irrevocable Letter of Credit



July 19, 2005

IRREVOCABLE LETTER OF CREDIT

Tennessee Regulatory Authority
460 James Robertson Pkwy
Nashville, Tennessee 37243-0505

Letter of Credit No. 400198

Reference: RTC Solutions, Inc.
ID # 20-2634019
LOC # 400198
Effective date: July 19, 2005
Expiration date: August 1, 2006

You have requested of Cornerstone Community Bank that we establish an irrevocable letter of credit, which will remain available on behalf of RTC Solutions, Inc. who has applied to the Tennessee Regulatory Authority (the "TRA") for authority to provide telecommunications services in the state of Tennessee. The purpose of this letter of credit is to secure payment of any monetary sanction imposed against the Company, its representatives, successors or assigns, in any enforcement proceedings brought under Title 65 of Tennessee Code Annotated or the Consumer Telemarketing Act of 1990, by or on behalf of the TRA.

We hereby establish and issue, in favor of the TRA, an irrevocable letter of credit in the amount of Twenty Thousand Dollars (\$20,000.00) lawful money of the United State of America. The TRA may draw upon this letter of credit, at any time and from time to time, by delivering a Letter of Credit Notice, Substantially in the form set forth below (a "Notice"), which Notice shall specify the amount (the "Draw Amount") to be drawn and the bank account (the "Bank Account") to which the Draw Amount should be delivered and shall be signed by an official designated and duly authorized by the TRA, to Lender at the address listed below, or to such other address as the Lender shall notify the TRA in writing by certified mail. Promptly after the delivery of each Notice, the Lender hereby covenants and agrees to deliver, by wire transfer of immediately available funds, the Draw Amount to the Bank Account.

This letter of credit shall be deemed automatically renewed without amendment for successive one-year periods and may be canceled by the Lender by giving thirty (30) days advanced written notice by certified mail of such cancellation to the TRA and the Company, it being understood that the Lender shall not be relieved of liability that may have accrued under this letter of credit prior to the date of cancellation.

The Lender hereby represents and warrants that it is qualified and authorized to issue this letter of credit and is a bank designated by the Treasurer of the State of Tennessee as an authorized depository bank for the deposit of state funds.

Except as far as otherwise stated, this documentary credit is subject to the Uniform Customs and Practice for Documentary Credits(1993 Revision) International Chamber of Commerce Publication No. 500, or any revision thereon.

Yours Very Truly,
Cornerstone Community Bank

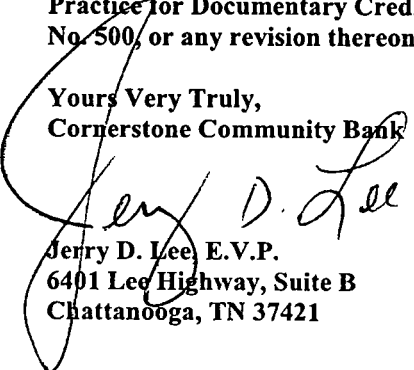

Jerry D. Lee, E.V.P.
6401 Lee Highway, Suite B
Chattanooga, TN 37421

EXHIBIT I

Small and Minority-Owned Telecommunications Business Participation Plan

RTC SOLUTIONS, INC.

SMALL AND MINORITY-OWNED TELECOMMUNICATIONS BUSINESS PARTICIPATION PLAN

Pursuant to T.C.A. §65-5-212, as amended, RTC Solutions, Inc. (RTC) submits this small and minority-owned Telecommunications Business Participation Plan (the "Plan") along with its Application for a Certificate of Public Convenience and Necessity to provide competing local exchange services in Tennessee.

I. PURPOSE

The purpose of §65-5-212 is to provide opportunities for small and minority-owned businesses to provide goods and services to Telecommunications service providers. RTC is committed to the goals of §65-5-212 and to taking steps to support the participation of small and minority-owned Telecommunications businesses in the Telecommunications industry. RTC will endeavor to provide opportunities for small and minority-owned Telecommunications businesses to compete for contracts and subcontracts for goods and services. As part of its procurement process, RTC will make efforts to identify and inform minority-owned and small businesses that are qualified and capable of providing goods and services to RTC of such opportunities. RTC's representatives have already contacted the Department of Economic and Community Development, the administrator of the small and minority-owned Telecommunications assistance program, to obtain a list of qualified vendors. Moreover, RTC will seek to increase awareness of such opportunities so that companies not otherwise identified will have sufficient information to participate in the procurement process.

II. DEFINITIONS

As defined in §65-5-212.

Minority-Owned Business Minority-owned business shall mean a business which is solely owned, or at least fifty-one percent (51%) of the assets or outstanding stock of which is owned, by an individual who personally manages and controls daily operations of such business, and who is impeded from normal entry into the economic mainstream because of race, religion, sex or national origin and such business has annual gross receipts of less than four million dollars (\$4,000,000).

Small Business Small Business shall mean a business with annual gross receipts of less than four million dollars (\$4,000,000).

III. ADMINISTRATION

RTC's Plan will be overseen and administered by the individual named below, hereinafter referred to as the Administrator, who will be responsible for carrying out and promoting RTC's full efforts to provide equal opportunities for small and minority-owned businesses. The Administrator of the Plan will be:

Michael Wallin, Regulatory Manager
RTC Solutions, Inc.
P.O. Box 869
6203 Alabama Highway
Ringgold, GA 30736-0869
Telephone: (706) 965-1721
Facsimile: (706) 965-1720

The Administrator's responsibilities will include:

- (1) Maintaining an updated Plan in full compliance with §65-5-212 and the rules and orders of the Tennessee Regulatory Authority.
- (2) Establishing and developing policies and procedures necessary for the successful implementation of the Plan.
- (3) Preparing and submitting such forms as may be required by the Tennessee Regulatory Authority, including the filing of required annual updates.
- (4) Serving as the primary liaison to and cooperate with the Tennessee Regulatory Authority, other agencies of the State of Tennessee, and small and minority-owned businesses to locate and use qualified small and minority-owned businesses as defined in §65-5-212.
- (5) Searching for and developing opportunities to use small and minority-owned businesses and encouraging such businesses to participate in and bid on contracts and subcontracts.
- (6) Providing records and reports and cooperate in any authorized surveys as required by the Tennessee Regulatory Authority.
- (7) Establishing a record-keeping system to track qualified small and minority-owned businesses and efforts to use such businesses.
- (8) Providing information and educational activities to persons within RTC and training such persons to seek out, encourage, and promote the use of small and minority-owned businesses.

In performance of these duties, the Administrator will utilize a number of resources, including:

Chambers of Commerce
The Tennessee Department of Economic and Community Development
The United States Department of Commerce
 Small Business Administration
 Office of Minority Business
The National Minority Supplier Development Counsel
The National Association of Women Business Owners
The National Association of Minority Contractors
Historically Black Colleges, Universities, and Minority Institutions

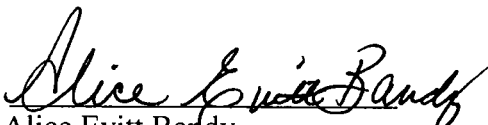
The efforts to promote and ensure equal opportunities for small and minority-owned businesses are primarily spelled out in the Administrator's duties above. Additional efforts to provide opportunities to small and minority-owned businesses will include offering, where appropriate and feasible, small and minority-owned businesses assistance with technical, insurance, bonding, licensing, production, and deadline requirements.

IV. RECORDS AND COMPLIANCE REPORTS

RTC will maintain records of qualified small and minority-owned business and efforts to use the goods and services of such businesses. In addition, RTC will maintain records of educational and training activities conducted or attended and of the internal procurement procedures adopted to support this plan.

RTC will submit records and reports required by the Tennessee Regulatory Authority concerning the Plan. Moreover, RTC will cooperate fully with any surveys and studies required by the Tennessee Regulatory Authority.

RTC Solutions, Inc.

By: 
Alice Evitt Bandy
Chief Executive Officer

Dated: 

EXHIBIT J

IntraLATA Toll Dialing Parity Implementation Plan

RTC SOLUTIONS, INC.

INTRALATA TOLL DIALING PARITY IMPLEMENTATION PLAN

Pursuant to the Federal Communications Commission ("FCC") Order 99-54 in CC Docket No. 96-98 (Implementation of the Local Competition Provisions of the Telecommunications Act of 1996) RTC Solutions, Inc. ("RTC") hereby submits its IntraLATA Toll Dialing Parity (1+ presubscription) Implementation Plan ("Plan").

I. Objective/Purpose

RTC seeks authority from the TRA to provide telecommunications services within the State of Tennessee as a competing local provider ("CLP").

RTC's Implementation Plan would enable Customers to route intraLATA toll calls (intraLATA 1+ and 0+ calls), plus directory assistance (1+ area code + 555-1212), without the use of access codes, to the Customer's pre-selected interexchange carrier (IXC).

II. Geographic Availability

IntraLATA presubscription ("ILP") is available in all LATAs where RTC will provide its local resold and unbundled network element platform (UNE-P) based telecommunications services within the State of Tennessee. ILP will be available in all exchanges of the underlying local exchange carrier where RTC provides local resale and UNE-P based services.

III. Implementation Schedule

RTC intends to offer dialing parity for intraLATA toll calls upon the later of: (i) 30 days after the TRA approves RTC's Plan; or (ii) the commencement of the provision of local exchange service. Initially, RTC will be offering exchange services as a reseller and UNE-P based provider, and will rely upon the capabilities of the underlying incumbent local exchange company ("ILEC") to provide intraLATA toll dialing parity. Accordingly RTC's retail customers may choose any IXC that has established itself as an access customer under the underlying ILEC's access tariff.

IV. Carrier Selection Process

RTC will implement full 2-PIC ("Primary Interexchange Carrier") capability for interLATA and intraLATA presubscription. The full 2-PIC methodology allows customers to presubscribe to one carrier for intraLATA toll calls, and to the same or a different carrier for interLATA toll calls.

RTC will ensure that new customers have the opportunity to choose their intraLATA toll carrier. RTC employees who communicate with the public, accept orders

and serve in customer service capacities will explain the availability of 2-PIC equal access and intraLATA toll dialing parity. Such employees will also assist customers in making an initial PIC choice, or in changing a PIC choice for intraLATA and interLATA toll calls.

A. Existing Customers

RTC has no existing local exchange customers in Tennessee.

B. New Customers

A new customer contacting RTC to request new local telephone exchange service will be advised of the opportunity to choose both an intraLATA and interLATA toll provider. If requested by the customer, RTC will provide a competitively neutral list of participating telecommunications carriers that provide intraLATA toll service in the customer's exchange. A new customer who does not select an intraLATA toll carrier will be identified as "no-PIC", and will not be automatically defaulted to a carrier. A "no-PIC" customer will be unable to make intraLATA toll calls on a 1+ or 0+ dialed basis, and will be required to dial the access code of a carrier (101XXXX) to place intraLATA toll calls until the customer chooses an intraLATA toll carrier. New customers will have thirty (30) calendar days following completion of the service request to make a PIC choice without charge.

V. Carrier Notification

IXCs will be notified via letter that they must contact RTC directly if an end-user using RTC's resold or UNE-P based services desires to change to that IXC. RTC will obtain a list of current IXCs from the TRA for mailing to all currently certificated IXCs. As a reseller, Granite will not have any access services or carrier customers in Tennessee who need to be informed of the availability of dialing parity. Should RTC provide access services as a UNE-P or facilities-based provider, RTC's access carrier customers will be informed of the availability of dialing parity.

VI. PIC Change Charges

The charge for a PIC change will be stated in RTC's tariff, and will be filed with the TRA.

VII. Anti-Slamming Procedures

RTC will establish procedures for handling PIC change orders consistent with TRA requirements. RTC will work with IXCs and any customer who has been slammed in order to quickly resolve any disputes. RTC will ensure that the customer's PIC selection is changed back to its carrier of choice, without charge to the customer, as soon as possible.

VIII. Non-Discriminatory Access

RTC will provide non-discriminatory access to customers for telephone numbers, operator services, directory assistance and directory listings.

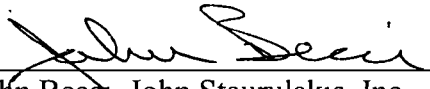
EXHIBIT K

Certificate of Service

Incumbent Local Exchange Service Providers

CERTIFICATE OF SERVICE

This is to certify that on August 2, 2005 a copy of the Application of RTC Solutions, Inc. for a Certificate to Provide Competing Local Telecommunications Services, without exhibits, was sent via first class mail, postage prepaid to the attached service list.



John Becci, John Staurulakis, Inc.
For RTC Solutions, Inc.

LISTING
INCUMBENT LOCAL EXCHANGE SERVICE PROVIDERS
CERTIFICATED IN TENNESSEE
(FACILITIES-BASED)

- 1) **ARDMORE TELEPHONE COMPANY, INC.**
P.O. Box 549
517 Ardmore Avenue
Ardmore, TN 38449
(205) 423-2131
(205) 423-2208 (Fax)

- 2) **BELLSOUTH**
333 Commerce Street
Nashville, TN 37201-3300
(615) 214-3800
(615) 214-8820 (Fax)

- 3) **CENTURY TELEPHONE OF ADAMSVILLE**
P.O. Box 405
116 N. Oak Street
Adamsville, TN 38310
(901) 632-3311
(901) 632-0232 (Fax)

- 4) **CENTURY TELEPHONE OF CLAIBORNE**
P.O. Box 100
507 Main Street
New Tazewell, TN 37825
(423) 626-4242
(423) 626-5224 (Fax)

- 5) **CENTURY TELEPHONE OF OOLTEWAH-COLLEGEDALE, INC.**
P.O. Box 782
5616 Main Street
Ooltewah, TN 37363
(423) 238-4102
(423) 238-5699 (Fax)

- 6) **CITIZENS COMMUNICATIONS COMPANY OF TENNESSEE**
P.O. Box 770
300 Bland Street
Bluefield, WV 24701

LISTING
INCUMBENT LOCAL EXCHANGE SERVICE PROVIDERS
CERTIFICATED IN TENNESSEE
(FACILITIES-BASED)

- 7) **CITIZENS COMMUNICATIONS COMPANY OF THE VOLUNTEER STATE**
P O Box 770
300 Bland Street
Bluefield, WV 24701
- 8) **LORETTO TELEPHONE COMPANY, INC.**
P.O. Box 130
Loretto, TN 38469
(931) 853-4351
(931) 853-4329 (Fax)
- 9) **MILLINGTON TELEPHONE COMPANY, INC.**
P.O. Box 429
4880 Navy Road
Millington, TN 38083-0429
(901) 872-3311
(901) 873-0022 (Fax)
- 10) **SPRINT-UNITED**
112 Sixth Street
Bristol, TN 37620
(423) 968-8161
(423) 968-3148 (Fax)
- 11) **TDS TELECOM-CONCORD TELEPHONE EXCHANGE, INC.**
P.O. Box 22610
701 Concord Road
Knoxville, TN 37933-0610
(423) 966-5828
(423) 966-9000 (Fax)
- 12) **TDS TELECOM-HUMPHREYS COUNTY TELEPHONE COMPANY**
P.O. Box 552
203 Long Street
New Johnsonville, TN 37134-0552
(931) 535-2200
(931) 535-3309 (Fax)
- 13) **TDS TELECOM-TELLICO TELEPHONE COMPANY, INC.**
P.O. Box 9

LISTING
INCUMBENT LOCAL EXCHANGE SERVICE PROVIDERS
CERTIFICATED IN TENNESSEE
(FACILITIES-BASED)

102 Spence Street
Tellico Plains, TN 37385-0009
(423) 671-4600
(423) 253-7080 (Fax)

14) TDS TELECOM-TENNESSEE TELEPHONE COMPANY

P.O. Box 18139
Knoxville, TN 37928-2139
(423) 922-3535
(423) 922-9515 (Fax)

15) TEC-CROCKETT TELEPHONE COMPANY, INC.

P.O. Box 7
Friendship, TN 38034
(901) 677-8181

16) TEC-PEOPLE'S TELEPHONE COMPANY, INC.

P.O. Box 310
Erin, TN 37061
(931) 289-4221
(931) 289-4220 (Fax)

17) TEC-WEST TENNESSEE TELEPHONE COMPANY, INC.

P.O. Box 10
244 E. Main Street
Bradford, TN 38316
(901) 742-2211
(901) 742-2212 (Fax)

18) UNITED TELEPHONE COMPANY

P.O. Box 38
120 Taylor Street
Chapel Hill, TN 37034
(931) 364-2289
(931) 364-7202 (Fax)

EXHIBIT L

Numbering Issues

RTC SOLUTIONS, INC.

NUMBERING ISSUES

1. What is your company's expected demand for NXXs per NPA within a year of approval of your application?

Response: As RTC will be providing service via resale and utilizing unbundled network platform, RTC does not expect to demand any NXXs during the first year of service following approval of its application.

2. How many NXXs do you estimate that you will request from NANPA when you establish your service footprint?

Response: In the event that RTC purchases or builds transmission and other facilities at a time in the future, necessitating a demand for NXXs, RTC estimates that the maximum number of NXXs it may request for service in the BellSouth territory is ten (10).

3. When and in what NPA do you expect to establish your service footprint?

Response: RTC initially will provide local service throughout the area currently served by BellSouth.

4. Will the company sequentially assign telephone numbers within NXXs?

Response: In the event that RTC's operations necessitate obtaining telephone numbers, it will assign such numbers sequentially within NXXs.

5. What measures does the company intend to take to conserve Tennessee numbering resources?

Response: RTC will obtain its numbers from BellSouth and thus will not over utilize Tennessee's numbering resources.

6. When ordering new NXXs for growth, what percentage fill of an existing NXX does the company use to determine when a request for a new NXX will be initiated?

Response: As RTC will be obtaining telephone numbers from BellSouth, this question does not apply

EXHIBIT M

Tennessee Specific Operational Issues

RTC SOLUTIONS, INC.

TENNESSEE SPECIFIC OPERATIONAL ISSUES

- 1 How does the company intend to comply with TCA §65-21-114? In its description, please explain technically how the company will not bill for countywide calls within Tennessee.

Response: RTC maintains the rate center database for the state of Tennessee, which jurisdictionalizes all Tennessee intraLATA calls. RTC will utilize the rate center database in determining which calls are to be billed to its customers

2. Is the company aware of the Tennessee County Wide Calling database maintained by BellSouth and the procedures to enter your telephone numbers on the database?

Response: Yes, RTC is aware of the Tennessee County Wide Calling database and will work with BellSouth, if necessary, to ensure that its telephone numbers are entered onto the database.

3. Is your company aware of the local calling areas provided by the Incumbent Local Exchange Carriers in your proposed service areas?

Response: Yes, RTC is aware of the local calling areas provided by BellSouth, which will be RTC's underlying carrier.

4. Explain the procedures that will be implemented to assure that your customers will not be billed long distance charges for calls within the metro calling areas.

Response: RTC maintains the rate center database for the state of Tennessee, which jurisdictionalizes all Tennessee intraLATA calls. RTC will utilize the rate center database in determining which calls are to be billed to its customers.

5. Please provide the name and telephone number of an employee of your company that will be responsible to work with the TRA on resolving customer complaints.

Response: Michael Wallin
Regulatory Manager
RTC Solutions, Inc.
P.O. Box 869
6203 Alabama Highway
Ringgold, GA 30736-0869
Telephone: (706) 965-1721
Facsimile: (706) 965-1720

6. Does the company intend to telemarket its services in Tennessee? If yes, is the company aware of the telemarketing statutes and regulations found in TCA §65-4-401 *et seq.* and Chapter 1220-4-11?

Response: RTC does not intend to telemarket its services in Tennessee at this time. Should RTC conduct telemarketing in Tennessee at any time in the future, it will abide by all applicable TRA regulations.

EXHIBIT N

Pre-Filed Testimony

**Before the
TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN THE MATTER OF THE APPLICATION OF

RTC SOLUTIONS, INC.

**FOR A CERTIFICATE TO PROVIDE COMPETING
LOCAL TELECOMMUNICATIONS SERVICES**

PRE-FILED TESTIMONY OF PHIL ERLI

I, Phil Erli, do hereby testify as follows in support of the application of RTC Solutions, Inc. (RTC) for a Certificate of convenience and necessity as a competing telecommunications services provider to provide telecommunications services throughout the State of Tennessee.

Q: Please state your full name, business address, and position.

A: My full name is Philip A. Erli. I am Executive Vice President of Ringgold Telephone Company acting on behalf of RTC Solutions, Inc., address 6203 Alabama Highway, Ringgold, GA 30736-0869.

Q: Please briefly describe your duties.

A: I am responsible for the management and the daily operations of RTC Solutions, Inc. and its affiliates.

Q: Please describe your business experience and educational background.

A: As Executive Vice President for Ringgold Telephone Company (parent company of applicant) and acting on behalf of RTC Solutions, Inc., I have a wide variety of experience in the telecommunications industry spanning 31 years, including management, communications consulting, marketing, business planning, sales and regulatory positions. I am a graduate of Indiana State University with a BS degree in finance, and earned an MBA from Indiana University.

Q: Are all statements in RTC Solutions, Inc.'s Application true and correct to the best of your knowledge, information and belief?

A: Yes.

Q: Please describe the current corporate structure of RTC Solutions, Inc.

A: RTC Solutions, Inc. is a wholly owned subsidiary of Ringgold Telephone Company, an incumbent local exchange carrier in Georgia. All of the officers of RTC Solutions, Inc. are also employees of Ringgold Telephone Company. In addition, all of the officers of RTC Solutions, Inc. are associated with Ringgold Telephone Long Distance, a toll reseller that provides service in Georgia and Tennessee, and Ringgold Telephone PCS Corporation, a holding company for assets received from the sale of the GA PCS wireless company.

Q: Does RTC Solutions, Inc. possess the requisite managerial, financial, and technical abilities to provide the services for which it has applied for authority?

A: Yes.

Q: Please describe RTC's financial qualifications.

A: Financial statements of RTC's parent company, Ringgold Telephone Company, have been submitted to the Authority with its application as Exhibit F. The Company's financial position clearly demonstrates the Company's ability to support its operations and serve the public in the State of Tennessee. As RTC proposes to provide local services utilizing UNE-P, its own facilities and as a reseller of local and interexchange telecommunications services, RTC's liabilities to its underlying carriers would be incurred upon the rendering of service. RTC does not initially plan to construct facilities. The Company will, therefore, require no additional capitalization or resource expenditure to expand its operations in Tennessee.

Q: Please describe RTC's managerial and technical qualifications.

A: RTC Solutions, Inc. possesses the technical capability and managerial qualifications to provide reliable competitive local exchange service in the State of Tennessee through its association with Ringgold Telephone Company. Professional biographies of RTC's key personnel submitted with the Application demonstrate staff is well qualified to execute RTC's business plans, and have extensive managerial and technical experience in the telecommunications industry.

Q: What services will RTC offer?

A: RTC proposes to offer a variety of competitive local exchange services, including basic service, custom calling features and intraLATA toll services utilizing incumbent local exchange carrier unbundled network elements and RTC facilities.

Q: Will RTC offer service to all consumers within its service area?

A: Yes. RTC will provide telephone exchange services to residential and business customers in Tennessee.

Q: Does RTC plan to offer local exchange telecommunications services in areas served by any incumbent local exchange telephone company with fewer than 100,000 total access lines?

A: No.

Q: Will the granting of a certificate of convenience and necessity to RTC serve the public interest?

A: Yes. RTC's proposed services will afford customers competitive services and rates. The provision of these services will enhance the competitive environment that is being encouraged in the telecommunications industry by the State of Tennessee and the Federal Government (the Telecommunications Act of 1996, and the Federal Communications Commission).

Q: Does RTC intend to comply with all TRA rules, statutes and orders pertaining to the provision of telecommunications services in Tennessee, including those for disconnection and reconnection of service?

A: Yes.

Q: Has any state ever denied RTC or one of its affiliates authorization to provide intrastate service?

A: No.

Q: Has any state ever revoked the certification of RTC or one of its affiliates?

A: No.

Q: Has RTC or one of its affiliates ever been investigated or sanctioned by any regulatory authority for service or billing irregularities?

A: No.

Q: Who is knowledgeable about RTC's operations and will serve as RTC's regulatory and customer service contact?

A: Michael Wallin, Regulatory Manager of Ringgold Telephone Company acting on behalf of RTC Solutions, Inc.

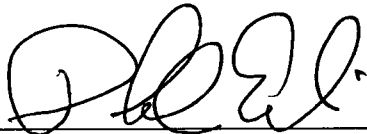
Q: Please explain in detail RTC's proposed procedures for responding to information requests from the TRA and its staff.

A: TRA staff may reach Michael Wallin via phone at (706) 965-2345, via facsimile at (706) 965-1720, or by letter at 6203 Alabama Highway, Ringgold, GA 30736-0869.

Q: Does this conclude your testimony?

A: Yes.

I swear that the foregoing testimony is true and correct to the best of my knowledge.



Phil Erli
On behalf of RTC Solutions, Inc.
Executive Vice President, Ringgold Telephone Company

Subscribed and sworn to me this 28 day of July, 2005.

Notary Public

State of Georgia

County of Catoosa

My commission expires

MITZI G. CALLAHAN
NOTARY PUBLIC, STATE OF GEORGIA
MY COMMISSION EXPIRES 10-28-08

